Promo Items Attract More Discount Shoppers

By Peter Hisey

Discount stores sharply improved their ability to attract consumers with sales and promotions last year, but they were less adept at extracting dollars from those customers' wallets.

An exclusive, *DSN*-sponsored study of top traffic builders also found that the sharp rise in promotional shopping, coupled with a drop in the mean dollars spent by those shoppers, may have contributed to the flat or decreased profits experienced by many discounters.

According to the survey, conducted in October 1987 by Leo J. Shapiro & Associates, Chicago, more than seven of 10 discount store shoppers knew of a sale or promotion before going into the store (up from 49 percent a year ago), but, mysteriously, only 65 percent of shoppers actually bought anything, down from 74 percent in 1986.

So what gives? Did 35 percent of consumers attracted by promotions forget their billfolds? While it's possible that some of those who left stores empty-handed last year were just window-shopping, most were probably motivated shoppers who noticed a particular product on sale, liked the price and showed up ready to spend. And didn't.

An obvious culprit is out-of-stocks, a situation that has bedeviled the discount industry since the first "Low, Low Prices" sign went up a few decades ago. In response, most leading chains have invested heavily in computer equipment, new distribution centers, inventory replenishment systems and the like specifically to combat out-of-stock problems.

The problem, apparently, still plagues the discount industry. One industry supplier noted that discounters had become worried about the increasingly unstable economy earlier this year, particularly in the area of budget and foreign trade deficits, and reacted by cutting inventories and relying prematurely on just-in-time systems that don't work very well yet.

Predictably, relatively inexpensive goods are discounters' best drawing cards, while department stores and mass merchandisers are most successful using relatively expensive apparel and home fashion items as traffic builders.

Part of the problem may be that discounters have become far better than the competition at promoting their products, resulting in increased demand for certain products, many of which may have been difficult to stock in the first place. As mentioned, 70 percent of discount department store shoppers were aware of a sale before showing up to shop vs. 37 percent at mass merchandisers like Sears and Penney, 29 percent at full-price department stores, 21 percent at specialty stores and 62 percent at drug stores.

With that advantage, however, discounters were only able to hold their own in actually getting interested shoppers to buy. The new survey found that last year, 65.5 percent of all shoppers surveyed who were aware of sale items actually made a purchase vs. 65.2 percent of discount store shoppers. Mass merchandisers (56.1 percent) and department stores (50 percent) were less effective—but sold twice as much per purchase.

Most of those attracted to discounters by promotions called themselves regular customers, yet many still didn't buy. Price appears to have limited appeal in attracting new shoppers; discounters were clearly less effective in pulling in shoppers new to the store through promotion than were other types of retailers.

Regular Discount Shoppers

Only 28 percent of discount shoppers attracted by a promotion said that they rarely shopped at the store, compared to 59 percent of department store shoppers and 64 percent of mass merchandiser shoppers.

Drug stores, almost as effective as discount stores in drawing customers through promotion, also shared discount stores' relative inability to attract new shoppers. To some degree, shoppers at both kinds of outlets would have ended up there anyway, promotion or no, because these stores provide a good deal of the basic commodity type of products they need.

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The impact of these differing orientations shows up most visibly in the amount consumers spend; discount customers spent a mean of $28 per visit, only half of the $56 spent by department store customers and significantly less than the $47 spent at mass merchandisers.

Top traffic-building products were, as they were a year ago, primarily cheap bulk

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Discounters' Top Traffic Builders*

Household cleaners and household paper products draw the most traffic at discount stores.

Percent of total number of products mentioned by shoppers as traffic builders at discount stores	
Household Cleaners (1)	6.6%
Household Paper Products (3)	6.2
Candy (5)	5.6
Plastic Kitchen Items (–)	5.4
Women's Lingerie/Sleepwear (10)	4.5
Hair Care/Personal Care Products (2)	4.4
Laundry Products (11)	3.9
Home Storage (e.g., mirrors, closet organizers) (7)	3.1
Women's Jogging Suits (18)	3.1
Women's Sportswear (–)	3.1
Motor Oil (16)	2.9
Women's Shoes/Boots (9)	2.7
Women's Sweaters (14)	2.6
Women's Blouses/Shirts (–)	2.5
Toys/Games (6)	2.4
Other Automotives (e.g., batteries, brake fluid) (13)	2.3
Other Home Care (e.g., tool boxes, leaf bags) (8)	2.1
Other Food/Candy (e.g., peanuts, beer, gum, cookies) (4)	2.1
Infants/Toddlers' Clothing (–)	2.0
Light Bulbs (–)	1.8

*Top 20 of 50 products mentioned, last year's ranking in ( ), new entries indicated by (–).

Products which dropped out of top 20: antifreeze, sheets/comforters/bedspreads, motor oil, over-the-counter drugs, craft items, women's accessories. Light bulbs included in other home care in 1986; combined, the two categories would place 7th this year.

Source: Leo J. Shapiro & Assoc.; DSN, *November 1987*

Discounters' Top Traffic Builder Brands*

Rubbermaid, which didn't place last year, was most popular by a wide margin.

Percent of total number of brands mentioned by shoppers as traffic builders at discount stores	
Rubbermaid (–)	15.3%
General Electric (–)	6.6
Hi & Dri (–)	5.5
Quaker State (–)	5.3
Delsey (–)	4.1
Tide (–)	3.7
Comet (1)	3.7
Prestone (2)	3.4
Coca Cola/Coke (–)	2.5
Mr. Clean (–)	2.1

*Top 10 of 48 brands mentioned, which accounted for 42 percent of all brands mentioned; last year's ranking in ( ); new entries indicated by (–).

Source: Leo J. Shapiro & Assoc.; DSN, *November 1987*

Mass Merchants' Top Traffic Builders*

Domestics are still strong as traffic builders, but clothing is increasingly important.

Percent of number of products mentioned by shoppers as traffic builders at mass merchants	
Women's Clothing (–)	11.7%
Sheets/Comforters/Bedspreads (1)	11.7
Women's Lingerie/Sleepwear (6)	5.8
Bath Towels (4)	5.8
Window Coverings (3)	5.8
Men's Underwear (–)	4.9
Women's Blouses/Shirts (9)	3.9
Women's Dress Pants/Slacks (–)	3.9
Men's Shirts (–)	3.9
Motor Oil (–)	2.9

*Top 10 of 33 products mentioned; last year's ranking in ( ); new entries indicated by (–).

Eight products tied for 10th place among mass merchandisers, but motor oil placed better overall.

Source: Leo J. Shapiro & Assoc.; DSN, *November 1987*

Department Stores' Top Traffic Builders*

Apparel remains top traffic item at department stores, but domestics are making inroads.

Percent of total number of products mentioned by shoppers as traffic builders at department stores	
Women's Sweaters (7)	13.9%
Women's Clothing (–)	13.9
Women's Lingerie/Sleepwear (–)	11.1
Women's Shoes/Boots (4)	8.3
Women's Blouses/Shirts (1)	8.3
Hair Care/Personal Care Items (5)	5.6
Women's Jeans (–)	5.6
Sheets/Comforters/Bedspreads (–)	5.6
Bath Towels (–)	5.6
Other Home Storage (e.g., mirrors, closet organizers) (–)	2.8

*Top 10 of 17 products mentioned; last year's ranking in ( ); new entries indicated by (–).

Source: Leo J. Shapiro & Assoc.; DSN, *November 1987*

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household items and consumables like candy and snacks. Household cleaners were ranked No. 1 for the second year in a row, although the category's margin over other popular products shrank dramatically, and hair care and personal care items held onto second place, tying household paper products, which moved up from sixth place.

Individual Retailers' Use of Promotional Advertising

Zayre, which has undertaken a promotional blitz since mid-1987, dropped off badly from 82.2% last year; Venture nearly doubled its 48% rating in 1986.

Percent of shoppers who knew of a sale item before visiting store

Retailer	Type of Retailer	
Venture (3)	Discount Dept. Store	88.7%
K mart (2)	Discount Dept. Store	70.9
Zayre (1)	Discount Dept. Store	66.0
Target (5)	Discount Dept. Store	52.7
Montgomery Ward (4)	Mass Merchandiser	45.4
Wal-Mart (8)	Discount Dept. Store	41.7
Sears (6)	Mass Merchandiser	27.9
J.C. Penney (7)	Mass Merchandiser	26.1

Last year's results in ( ).

Source: Leo J. Shapiro & Assoc.; DSN, *November 1987*

Generally speaking, the highest-impact promotional items tended to be inexpensive, frequently replaced or replenished products like those above and laundry products, toys and home care items, all products often identified with discount stores. However, apparel products made a far stronger showing last year than in the first *DSN* Traffic Builders Survey a year ago, indicating stronger promotional activity on the part of department stores and mass merchandisers.

Discount stores evidently are making inroads in the women's apparel market, evidenced by stronger showings in virtually every category over last year. Lingerie, shoes, blouses, jogging suits and sportswear were all up in mentions by discount customers and down at mass merchants and department stores, although the latter two still dominate the market.

This may be one of the most significant findings of the survey, in that many discounters are undergoing upscaling efforts that generally translate to increased attention to apparel. Evidently, consumers are getting the message, although the percentages have increased only gradually. For instance, the percentage of shoppers who mentioned seeing ads for women's lingerie rose from 3.2 percent in 1986 to 4.6 percent in 1987, a modest 1.4 percent increase but a significant one in light of the category's relative importance to a discount store.

Consumers may have looked a little more at discounters for their soft lines needs, but they still perceived full-price department stores and mass merchants as their primary sources. Apart from motor oil, the list of top 10 traffic building products at mass merchants was made up entirely of soft goods, about evenly split between apparel and soft home goods.

Consumers seemed to be acutely aware of mass merchants when they went looking for domestics. Sheets, comforters and bedspreads and bath towels were mentioned frequently by these shoppers, and hardly at all by discount shoppers.

Household cleaners were ranked the No. 1 traffic builder for the second year in a row, although the category's margin over other popular products shrank dramatically. (DSN photo)

Dependence on Promotional Advertising

Discount department stores seem to be even more promotion-intensive than last year, although most other retailers have also stepped up promotion.

Type of Retailer*	Percent of Shoppers Who Knew of a Sale Item Before Visiting Store
Discount Department Stores	70.3% (48.6%)
Drug Stores	62.3 (15.5)
Mass Merchandisers	36.9 (36.3)
Catalog Showrooms	33.3 (45.2)
Discount Specialty Stores	32.1 (9.2)
Department Stores	28.2 (20.4)
Specialty Stores	20.7 (14.9)

*Sample of catalog showrooms, discount specialty stores and department stores was relatively small in comparison to samples of consumers at discount department stores and mass merchandisers. Last year's results in ( ).

Source: Leo J. Shapiro & Assoc.; DSN, *November 1987*

For the second year in a row, mass merchants were also clearly the source of choice for men's apparel by promotion-conscious shoppers.

Department stores evidently strengthened their appeal in the domestics area last year, with three related product groups penetrating the top 10 department store traffic builders, which in 1986 was the exclusive preserve of women's clothing and personal care items. Those, however, remained very strong with department store shoppers.

Stepped-Up Promotions

Overall, it appears that while discounters are making progress in attracting customers for higher-fashion, higher-ticket products, department stores and mass merchants have stepped up promotional activity in those areas themselves to retain market share.

If that is so, they may be in for a tough fight. Discounters are clearly far more reliant upon promotion and probably better at employing it. Further, it appears from the research that the best promotion items for building traffic are cheap hard goods and other inexpensive non-apparel items, which are discounter strengths.

Top products in drawing *new* customers were slightly more expensive hard goods like car care products, furniture, paint, hardware, sporting goods, tableware, pet supplies, over-the-counter drugs and light bulbs. Clearly, discounters have an edge in most of these categories.

Overall, 70 percent of discount shoppers said they were aware of a promotion before entering the store vs. 37 percent at mass merchandisers and 29 percent at department stores.

Top Discount Promoters

According to the study, Venture and K mart were the best chains at promoting themselves and their products. Nearly nine of 10 Venture shoppers were aware of a sale item before entering the store; 71 percent of K mart shoppers were similarly well-informed.

Zayre, which had just undertaken a promotional blitz in the three months preceding the study, was slightly behind K mart at 66 percent while Target, normally considered a top promoter, lagged behind at 53 percent. Stolidly anti-sale Wal-Mart trailed the pack at 42 percent.

Among mass merchandisers, Montgomery Ward shoppers (45 percent) were almost twice as likely as Penney or Sears shoppers to have known about a sale item, perhaps re-

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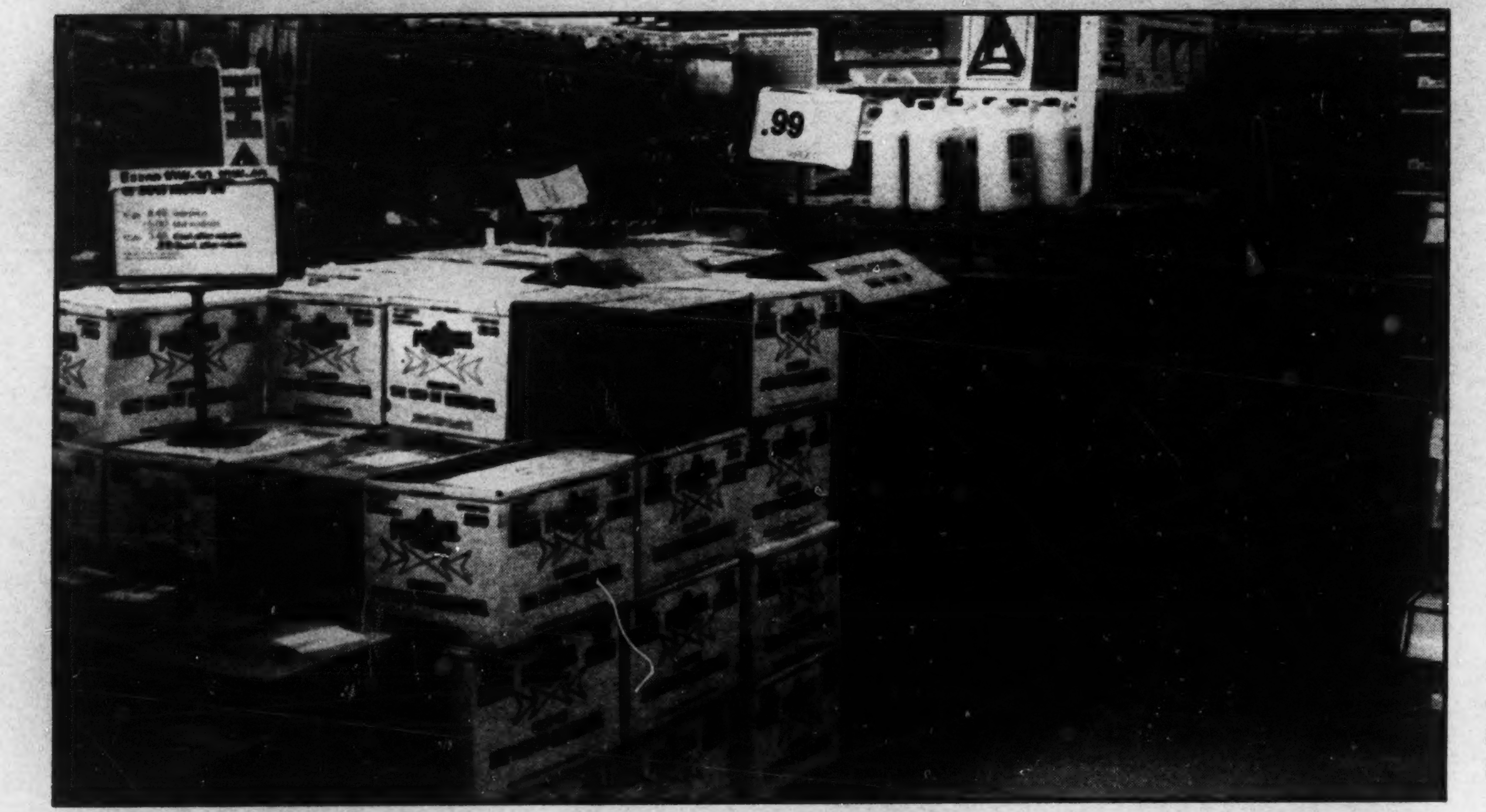

The number of discount store customers who said they had seen an ad for motor oil was up nearly 50 percent from last year's traffic builders study. (DSN photo)

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flecting the company's repositioning in the marketplace as a specialty store within a store.

Montgomery Ward was also the highest among all stores (including discounters) in attracting new customers through promotion. Seventy percent of Montgomery Ward shoppers aware of a promotion before entering the store said they were infrequent or new customers. Sears (58 percent) and Penney (48 percent) also scored well in this measure with new customers.

Discounters did not fare as well. Venture again led the way at 41 percent, followed by Wal-Mart, where 40 percent said they were new or infrequent customers. Target (35 percent), Zayre (31 percent) and K mart (22 percent) lagged behind, although, in K mart's case, it could be argued that a shopper unexposed to the company's omnipresent store network is a rather rare and wonderful thing.

Overall, it appears that discount stores are best, promotionally speaking, at inducing regular customers to shop more often than at attracting new customers.

Of 1986's top 30 traffic-building brands, 10 managed to find their way back to the top 30 last year. These included Rubbermaid (tied for 24th last year, a strong No. 1 this year), Comet, Prestone, Fisher Price, AC Delco, Colgate, L'Eggs, General Electric, Sani-Flush and Hershey. Levi just missed the top 30.

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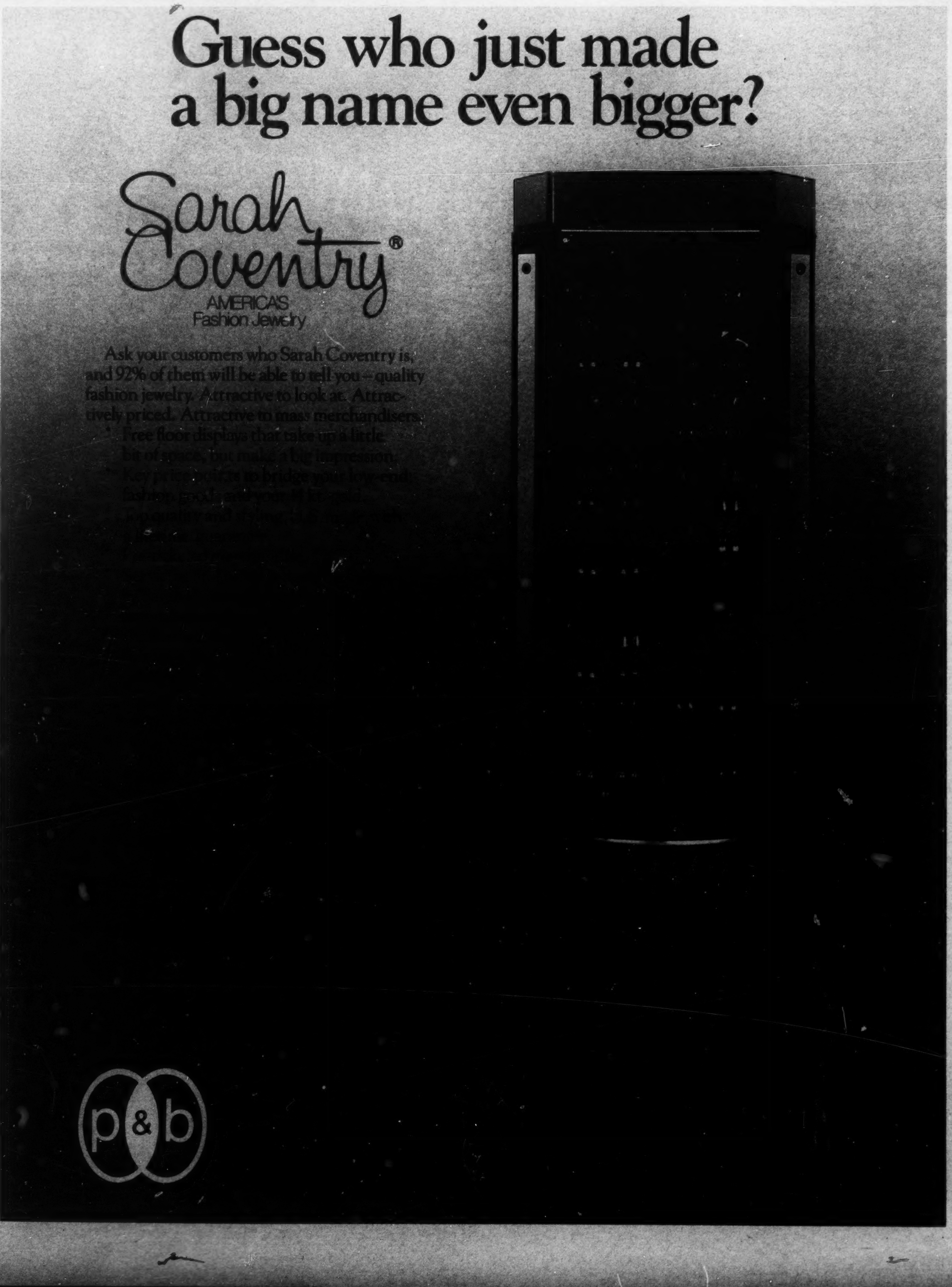
Conversely, 20 new brands entered the top 30 traffic builders list of 1987. They included Hi & Dri, Quaker State, Delsey, Tide, Coke, Wrangler and Mr. Clean. However, the report's authors noted that with thousands of brands vying for consumer attention, a year-to-year convergence of 10 brands is above expectations in a survey of this kind.

With minor exceptions, the overall top 30 traffic building brands nearly coincide with the top 30 discount store traffic builders. GE and Prestone were helped somewhat (and Wrangler considerably) by mass merchant shoppers, while Fruit of the Loom owed its standing mainly to department store shoppers. J.P. Stevens and Cannon, both further down the list, probably would not have rated at all but for extremely high ratings among mass merchant and department store customers.

Popular promotional brands ran across department lines, although various hard line home products dominated. Automotive brand names (Quaker State, Prestone, Gum-Out, Motorcraft and Fram) were very well represented in the listing, as were cleaning products and food and snack items.

Apparel, given its strong category showing, fared poorly in brand recognition, with only Wrangler, Gitano and Fruit of the Loom placing among the top 48 brands. Those 48, by the way, accounted for 42 percent of all brands mentioned.



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Discounters Build Promo Ticket with Frequency, Add-on Sales

Discounters appear to be gaining added and more profitable sales from their promotional goods than other types of retailers. According to *DSN*'s second annual Traffic Builders Survey, discounters improved their mean ticket derived from promotional items last year to $28, up from $24 in 1986.

The research, conducted in November 1987 by Chicago-based Leo J. Shapiro & Associates, indicates that discounters appear to be spending their promotional dollars on low-cost, frequently consumed products at the expense of larger ticket items like apparel, bedspreads and consumer electronics.

Mass merchants, like Sears, Penney and Ward, and full-price department stores, on the other hand, tend to promote the more expensive items that make up the bulk of their merchandise.

The result, predictably, is a lower mean ticket at discounters than at the other types of stores. However, the study suggests that, while discounters may sell less per shopper, they may profit more by eliciting profitable add-on sales and drawing customers into their stores more often.

For instance, some of the leading low-cost promotional items in terms of attracting shoppers were automo-

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Attracting New and Infrequent Customers*

Mass merchandisers are more successful at using promotions to attract infrequent shoppers.

Retailer	Type of Retailer	Percent of Infrequent Shoppers Who Knew of a Sale Item Before Shopping Store
Montgomery Ward	Mass Merchant	69.7%
Sears	Mass Merchant	58.3
Penney	Mass Merchant	48.4
Venture	Discount Dept. Store	41.4
Wal-Mart	Discount Dept. Store	40.0
Target	Discount Dept. Store	35.4
Zayre	Discount Dept. Store	30.9
K mart	Discount Dept. Store	22.3

**Customers who shopped a store less than twice a month*

Source: Leo J. Shapiro & Assoc.; DSN, November 1987

Effectiveness of Product Promotion in Attracting New and Infrequent Customers

Apparel and other personal items were the most effective in luring non-shoppers.

All Who Knew of a Sales Item and Were Coming to Shop For:	Customers Who Shop at This Store	
	Often*	Not Often
Household Cleaners	79.2%	20.8%
Household Paper Products	71.6	28.4
Hair Care/Personal Care Items	59.1	40.9
Candy	75.9	24.1
Plastic Kitchen Items	76.3	23.8
Women's Lingerie/Sleepwear	69.7	30.3
Laundry Products	71.9	28.1
Women's Shoes/Boots	60.7	39.3
Home Storage (e.g., mirrors, closet organizers)	68.1	31.9
Toys/Games	59.6	40.4
Women's Blouses/Shirts	80.0	20.0
Women's Jogging Suits	75.6	24.4
Women's Sweaters	68.2	31.8
Motor Oil	65.9	34.1
Women's Sportswear	62.8	37.2
Home Care (e.g., tool boxes, leaf bags)	61.5	38.5
Food/Candy (e.g., peanuts, beer, gum)	68.4	31.6
Automotives (e.g., batteries, brake fluid)	73.0	27.0
Women's Clothing	46.9	53.1
Infants/Toddlers' Clothing	62.5	37.5

**Shopping twice a month. Products are ranked by overall mentions.*

Source: Leo J. Shapiro & Assoc.; DSN, November 1987

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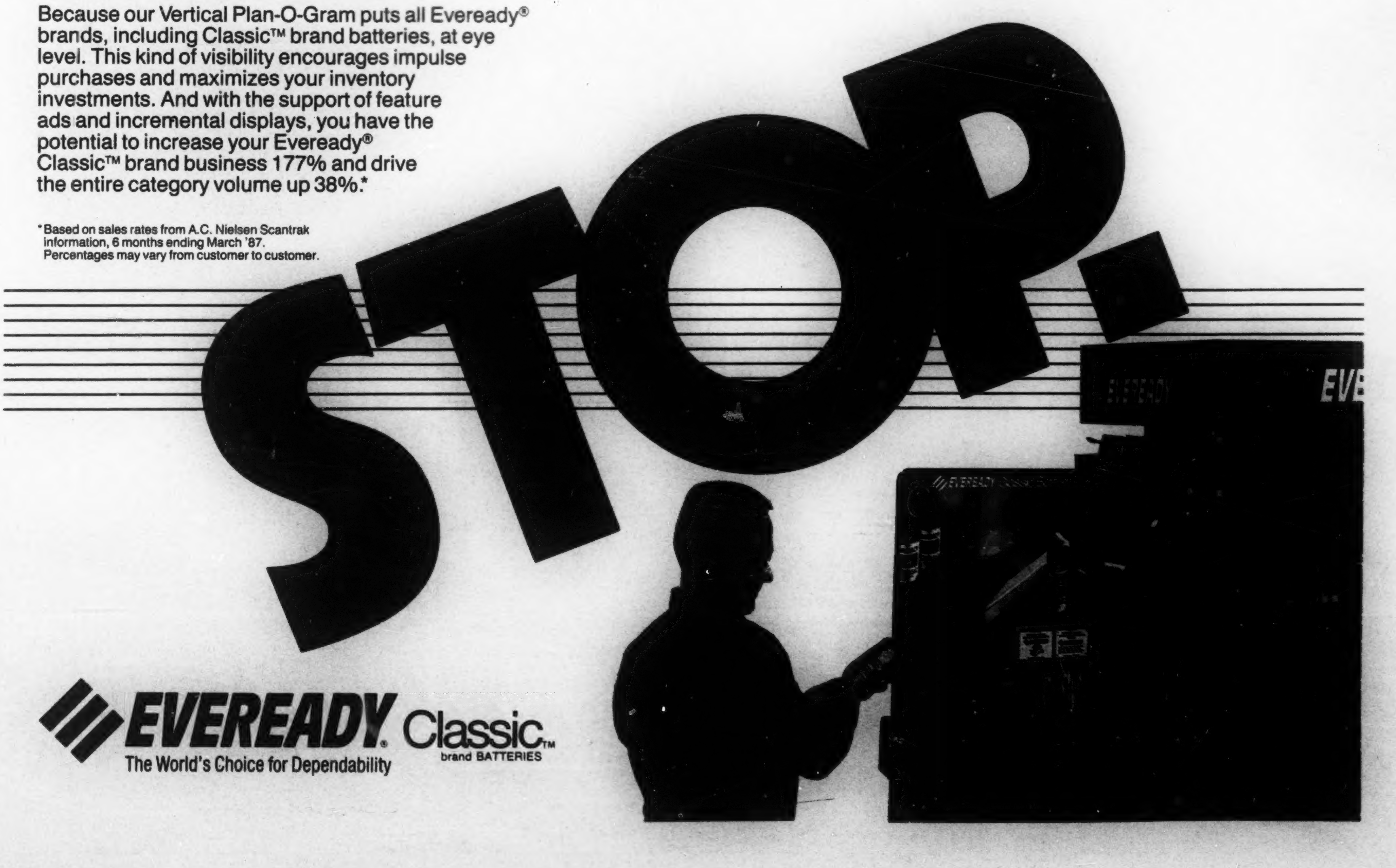
*Based on sales rates from A.C. Nielsen Scantrak information, 6 months ending March '87. Percentages may vary from customer to customer.



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Add-on Sales Build Mean Promo Tickets

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tive products, motor oil (separated from other auto items), diapers, plastic kitchen items, antifreeze, laundry products, soda, light bulbs and several other hard lines products generally associated with discount stores. The mean ticket for these items ranged from $30 to $18, while the price of each item was below $10 (and often below $5).

> ***Discount shoppers generated tickets well above the price of the promotional items.***

It appears that discount shoppers either bought a lot of each item that attracted them to the store or they bought additional products, not necessarily promotionally priced.

For example, the consumer who was drawn to the store by a motor oil promotion reported an average ticket of $30 on that visit; the consumer drawn by a promotion on diapers spent an average of $27 at the store; and the consumer who was aware of a promotion on laundry products walked out of the store after spending an average of $23.

Department stores, on the other hand, specialized their promotions in what the survey identified as middle and highest cost items, mainly apparel, bedding and jewelry. While the mean ticket at department stores rose significantly last year (from $40 to $57), the figures suggest that that figure was often spent on one promotional item, with few add-on sales of full-price goods.

Of middle cost items, the most profitable and frequently purchased were children's clothing and recreational goods (toys, sports equipment), products generally associated with discount stores. Lower down on the list were the products more associated with discounters and mass merchandisers: sweaters, bedspreads, women's shoes, towels and sleepwear.

Mean tickets ranged from $40 down to $23. In contrast to lower priced products, it's not hard to envision average consumers spending their entire mean ticket of $34 on a bedspread or $40 for a sweater at a department store.

Highest price items resulted in even fewer add-on sales. Televisions garnered a mean ticket of $201, about the price

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Tickets Generated by Traffic Builders

Product That Shopper Knew Was On Sale	Percent Who Made a Purchase	Mean Ticket
Low Cost Items		
Tableware	72.7%	$34
Automotives (e.g., batteries, brake fluid)	69.0	30
Motor Oil	78.1	30
Diapers	83.3	27
Cosmetics	80.0	27
Plastic Kitchen Items	53.8	26
Home Storage (e.g., mirrors, closet organizer)	73.3	25
Antifreeze	83.8	24
Household Paper Products	85.9	23
Middle Cost Items		
Children's Clothing	78.8	55
Recreation/Toys (e.g., sporting goods)	70.0	43
Women's Sweaters	50.0	40
Home Care (e.g., tool boxes, leaf bags)	70.8	39
Women's Blouses/Shirts	63.0	35
Sheets/Comforters/Bedspreads	65.3	34
Toys/Games	74.4	33
Highest Cost Items		
Television	35.0	201
Yard Furniture	55.6	87
Women's Clothing	46.9	73
Women's Dress Pants/Slacks	55.3	54
Watches	53.1	46
Women's Jeans	78.9	45
Window Coverings	67.5	29

Source: Leo J. Shapiro & Assoc.; DSN, November 1987

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Add-on Sales Build Mean Promo Tickets

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of an inexpensive set. The mean ticket for women's jeans was $45, roughly the full price for one pair.

Further, department store and mass merchant promotions tended to attract a high percentage of new or first-time shoppers, while discount stores' promotions tended to attract their regular shoppers with their low-budget sales. It appears, given the mean tickets of shoppers for more expensive items, that many of these new or infrequent customers are more likely than regular shoppers to buy only the promotional items that originally attracted them.

Although not explicit in the figures, it appears that there is a relationship between the price of promotional products and add-on sales. In very general terms, on a continuum marked on the left by cheap prices and many add-on purchases and on the right by high prices and no add-on purchases, discount stores would be somewhere to the left of both mass merchants in the middle and department stores furthest to the right.

Total Ticket Generated by Traffic Builders at Discount Stores

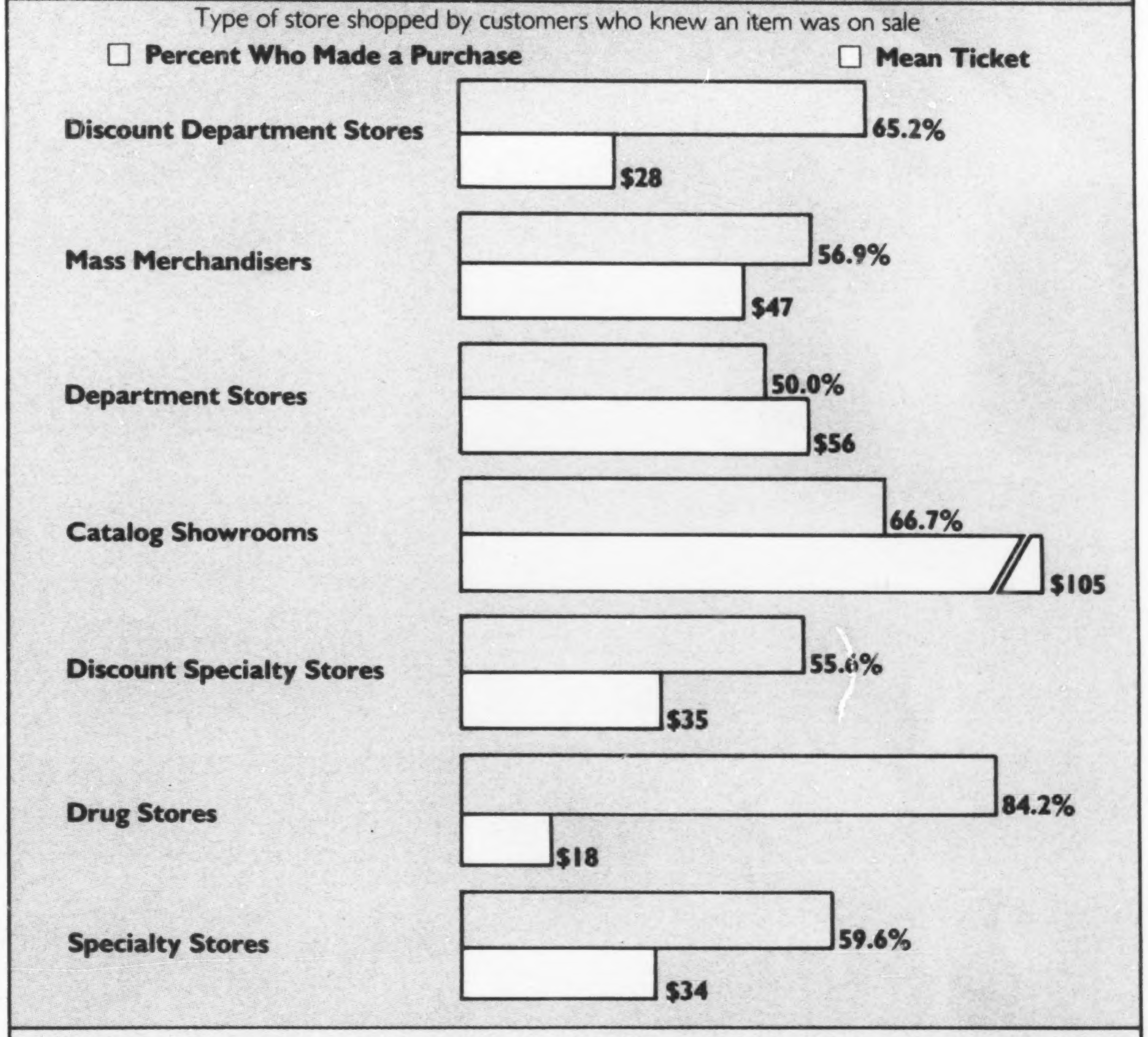
Venture shoppers were far more likely to buy and spent as much at other chains; Wal-Mart and K mart, surprisingly, had a tough time parting promotion-minded customers from their money.

Store Shopped by Shoppers Who Knew a Product Was On Sale	Percent Who Made a Purchase	Mean Ticket
Venture	82.9%	$31
Target	72.0	31
Wal-Mart	56.0	31
Zayre	75.4	28
K mart	57.9	26

Source: Leo J. Shapiro & Assoc.; DSN, November 1987

Tickets Retailers Garner from Their Traffic Builders

Discount store shoppers attracted by promotions generally make a purchase, but their mean ticket is much lower than at most other retailers.



Source: Leo J. Shapiro & Assoc.; DSN, November 1987

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Promotions Grow More Important to Cautious Consumers

Americans may have been caught by surprise by the stock market crash in October, but according to a shopping pattern survey conducted less than two weeks before the crash, they knew *something* was up. Compared to the year before, shoppers in every age group were considerably more interested in what was on sale and for how much before entering a store than they were just a year earlier.

In 1986, bargain shoppers were in a distinct minority. Only two age groups, 55 to 64 and 65 and older, showed as much as a 40 percent awareness of promotions. The picture changed radically in 1987, as only one age group, those under 25, measured under 40 percent. In other age groups, the percentage was closer to 50 percent, and well over half of older consumers were aware of promotions.

Bargain Awareness Grows

Even traditionally less bargain-conscious younger consumers displayed distinct awareness of store promotions and ads. In 1986, only 18 percent of men under 25 knew of a sale or promotion before walking into a store. Last year, 30 percent of them had seen an ad or a circular before shopping. In 1986, only 27 percent of women in the same age group were aware of promotions; in '87 the percentage increased to 36 percent, the smallest increase of any age/sex category.

However, the increased attention to sales and specials was even more dramatic in the older age groups. For instance, 50 percent of men between 45 and 54 knew about promotions in 1987, up from 32 percent in 1986. Nearly 60 percent of women in that age group were clipping coupons last year vs. a little under 40 percent in 1986, one of the most dramatic increases revealed by the survey.

Women between 55 and 64 were the most likely, at 62 percent aware of sales or specials, to snap up bargains, but men over 65 were also scanning circulars. A little less than 60 percent of them said they were aware of ads or promotions before entering the store, up from 44 percent the previous year, the highest total that year.

Consumers in the 25 to 34 age range were more aware of promotions last year, as about 46 percent of them checked prices before shopping, up from 31 percent who did so the previous year.

As in 1986, there was a direct correlation between advancing age and attention to sales and specials. Young men, even though they were far more knowledgeable about sales, specials and promotions last year than in 1986, were still only half as likely as senior women to check prices before shopping. There was a steady increase in awareness of promotions in each succeeding age group, with the surprising exception of the final one—those 65 or older.

Those in that age group are generally retired and often living on fixed incomes, which would indicate both the time and the motivation to compare carefully before shopping. However, only 54 percent of senior citizens over 65 were aware of specials last year, vs. 58 percent of those 55 to 64 and 56 percent of those 45 to 54. Nearly as many (53 percent) of those between 35 and 44 were aware of promotions before shopping. Nevertheless, this still marked a significant increase over 1986, when only 42 percent of those over 65 said they were aware of promotions on specific products before shopping.

The difference is more one

(Continued on page 37)

Shopper Profile

Generally speaking, older shoppers were more aware of specials and sales. Women, except in the 65 and older age group, were routinely more bargain conscious than were men.

Age	Percent of All Shoppers Who Knew of Sale/Special	Percent of Women Shoppers Who Knew of Sale/Special	Percent of Men Shoppers Who Knew of Sale/Special
Under 25	33.9%	35.6%	29.9%
25-34	45.6	46.9	58.6
35-44	52.7	53.4	50.2
45-54	56.3	58.7	50.5
55-64	57.9	61.5	47.2
65 and Over	53.8	52.6	58.9

Source: Leo J. Shapiro & Assoc.; DSN, November 1987

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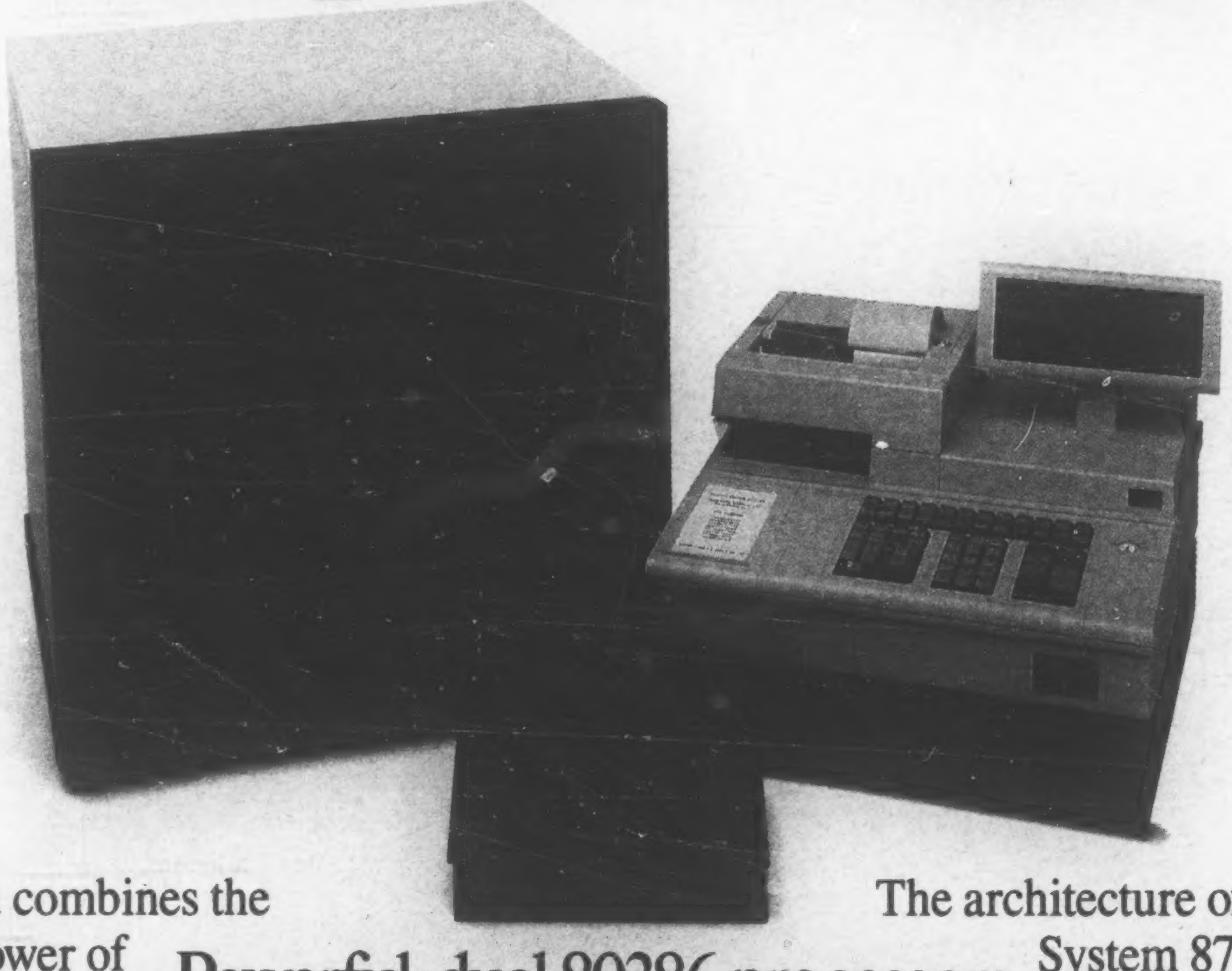

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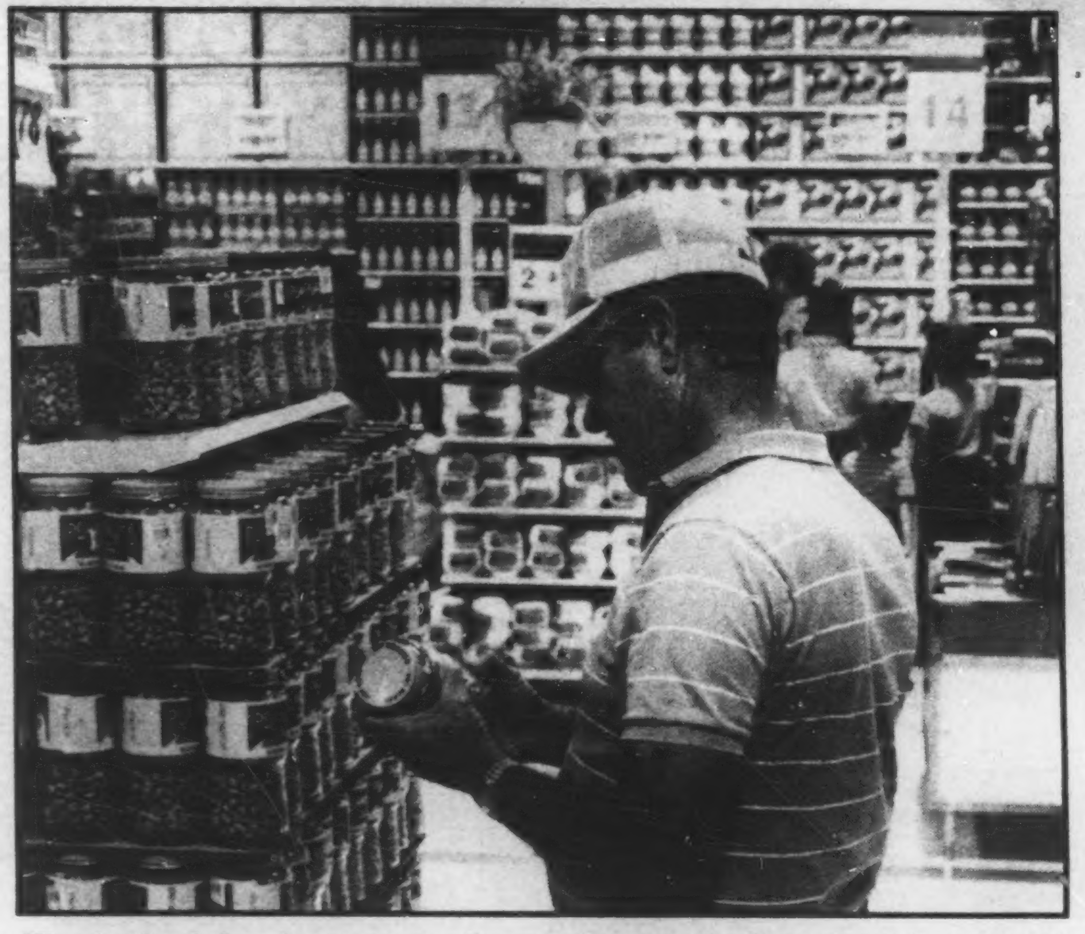
Candy Gains Share of Mentions Among Promo Miscellaneous Items



The 'other' food category (beer, nuts and other food items) fell from 6th place to 16th place in shopper mentions. (DSN photo)

Miscellaneous products, those items (mainly food-related) which don't fit in any of the three main merchandise categories—apparel, home products and hard lines—did not fare as well in 1987 as traffic builders.

Although candy, perennially a strong traffic builder, rose from 6th place to 4th place in 1987 and several others improved their standings, the "other food" category, which includes beer, nuts and other food items, crashed from 6th place to 16th. Flowers, costume jewelry and canned fruit plummeted off the chart.

Additionally, these seem to be purely promotional products. Only one item, watches, bettered the discount average in mean tickets. However, at $46, there wasn't much left after the sale of a watch for add-on sales. Others with minimal add-on value were plants ($12 mean ticket), canned ham ($15), candy ($14) and other foods ($13). An exception, soda (with a mean ticket of $23) appears to have generated significant add-on sales.

Overall, most products seemed to do better at discount stores than they did overall, but the differences were generally minor. Discounters accounted for a very high percentage of sales in all areas except, again, soda pop (65 percent).

For a small category, miscellaneous items had a high level of brand consciousness. Coke finished high in name recognition (6th overall), followed by Hershey (11th). Other brands mentioned included Timex and Brach's.

Candy was the main gainer in share of mentions by promotional shoppers, increasing its count from 4.3 percent to 5.5 percent. Other foods dropped two percentage points, from 4.5 percent in 1986 to 2.5 percent in 1987.

All Age Groups Are More Aware Of Sales, Promos

(Continued from page 35)

of comparative increases. In 1986, those 65 and over were at least as likely to check prices as any other age group, and significantly more so than those in the 35 to 44 range. Evidently,-reports that life has been very good for retirees in the past year are correct, although the market crash could have a dampening effect.

Women were more value conscious than men in every age group except among those over 65, often by significant margins. For instance, 59 percent of women between 45 and 54 were aware of promotions vs. 50 percent of men. Nearly 62 percent of women between 55 and 64 checked prices before shopping vs. 47 percent of men. By contrast, 59 percent of men 65 and older were careful shoppers, compared to 53 percent of women that age.

This contrasts with the findings of a year ago, where women were significantly more aware of promotions than men in only one age group—those under 25. In every other age group except (again) those over 65, women were only marginally more price oriented than men. (Men turned the tables after the age of 65 in 1986, as they did in 1987.)

Among the findings in this survey, none was as consistent and across-the-board as the growth of promotion consciousness among consumers. What the survey can't tell us, unfortunately, is the why behind this marked trend.

The raw numbers of respondents are interesting, and should be particularly so to discounters aiming at an older market. According to the survey, which interviewed exiting shoppers at random, the largest number of shoppers were women between the ages of 25 and 44, not very surprising. However, overall, the highest number of shoppers (men and women) were in the 25 to 34 age group and a surprisingly high number (third most overall) were under 25. Overall, 58 percent of respondents were under 45 years old.

The gray revolution may be coming, but it's not here yet.

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Traffic Builders

Apparel

Apparel Is in High Style for Discounter Promos

Discounters appear to be stepping up their promotion of apparel, although those products still hold less importance to discounters than they do to department stores and, to a lesser degree, mass merchants, like Sears, Penney and Montgomery Ward.

In nearly every apparel classification, the percentage of consumers who said they were aware of an apparel promotion at a discount store increased, often substantially, last year compared to the previous year, according to *DSN's* second annual Traffic Builders Study.

In 1986, 16 apparel product classifications accounted for about 22 percent of store visits overall by consumers who had seen an advertisement or promotion before coming to a discount store. Last year, 13 of those products accounted for about 27 percent of discount store visits by value-oriented shoppers.

> ***In nearly every apparel classification, discount shopper promotion awareness increased—often substantially—over 1986.***

In contrast, the importance of apparel products as a traffic builder may have slipped slightly in both department stores and at mass merchandisers.

In 1986, 16 apparel products accounted for 80 percent of all mentions by department store shoppers; last year the figure slipped to 64 percent. Only 41 percent of mass merchant shoppers were attracted by an apparel promotion vs. the 43 percent from a year ago.

Comparing shifts in individual apparel products among discounters, department stores and mass merchants is problematic due to terminology used by the survey respondents in identifying the category that drew them into the store. In the current survey, a large number of respondents cited the grab bag category "women's clothing" as the promotion that brought them into the store. The previous year, very few consumers used that term, choosing more specific areas instead. In the current survey, 12 percent of mass

(Continued on page 41)

Product Category	Percent of Total Mentions at All Stores	Discount Stores		Mass Merchants		Department Stores	
		Percent of Total Mentions	Percent of Mentions in Category	Percent of Total Mentions	Percent of Mentions in Category	Percent of Total Mentions	Percent of Mentions in Category
Women's Lingerie/ Sleepwear (3)	4.5%	4.6%	85.5%	5.8%	7.9%	11.1%	5.3%
Women's Shoes/Boots (1)	3.3	2.7	67.9	1.0	1.8	8.3	5.4
Women's Blouses/Shirts (4)	2.6	2.5	77.8	3.9	8.9	8.3	6.7
Women's Jogging Suits (5)	2.6	3.1	97.8	—	—	—	—
Women's Sweaters (2)	2.6	2.6	81.8	2.3	1.0	13.9	11.4
Women's Sportswear (11)	2.5	3.1	100.0	—	—	—	—
Women's Clothing (–)	1.9	1.1	46.9	11.7	37.5	13.9	15.6
Infants/Toddlers' Clothing (6)	1.9	2.0	87.5	2.9	9.4	—	—
Women's Jeans (14)	1.6	1.6	78.6	1.9	7.1	5.6	7.1
Women's Accessories (9)	1.3	1.4	82.6	1.9	8.7	2.8	4.3
Men's Underwear (–)	1.3	1.2	77.3	4.9	22.7	—	—
Women's Outdoor Coats/ Jackets (7)	1.2	1.1	76.2	1.9	9.5	2.8	4.8
Women's Dress Pants (8)	1.0	0.9	70.6	3.9	23.5	—	—
Men's Shirts (10)	0.8	0.6	61.5	3.9	30.8	2.8	7.7

Product Category	Percent of Mentions by Frequent Shoppers at All Stores*	Percent of Shoppers Who Bought a Product They Knew Was On Sale	Mean Ticket of Those Who Bought the Sale Item**
Women's Lingerie/Sleepwear	69.7%	73.2%	$24
Women's Shoes/Boots	60.7	58.1	28
Women's Blouses/Shirts	80.0	63.0	35
Women's Jogging Suits	75.6	63.8	33
Women's Sweaters	68.2	50.0	40
Women's Sportswear	62.8	59.6	28
Women's Clothing	46.9	46.9	73
Infants/Toddlers' Clothing	62.5	67.9	25
Women's Jeans	71.4	78.9	45
Children's Clothing	64.0	78.8	55
Women's Accessories	69.6	71.1	18
Men's Underwear	68.2	72.7	20
Women's Coats/Jackets	66.7	64.3	43
Women's Dress Pants/Slacks	70.6	55.3	54
Men's Shirts	61.5	67.9	21

MARKETWATCH

CARSON, Calif. — **The Fashion Channel Network** had a net loss of $6.1 million on net sales of $313,000 for the third quarter ended Oct. 31, 1987. The Fashion Channel, the nation's newest home shopping cable TV service devoted exclusively to brand name apparel and accessories for men, women and children, began airing Oct. 1. The company had no significant revenues prior to that date. For the first nine months of the fiscal year to date, the company reported a net loss of $9.6 million on net sales of $313,000. Charles W. Gee, 2nd, chairman and chief executive officer, said the recently concluded period included the successful completion of the company's $21 million initial public stock offering. Ten major multi-system cable operators have been added to the network since Oct. 1, according to Gee, bringing to 75 the number of MSOs carrying The Fashion Channel, which includes 28 out of the nation's top 30 MSOs. Close to 9 million cable TV households are expected to receive TFC's 24-hour programming by Jan. 30, the end of the company's fiscal year.

CHICAGO — **Montgomery Ward** named Malvin Pavik apparel group vice president, the third man to hold that position within the last year. Pavik, formerly senior vice president of stores, succeeds John Weil as head of the chain's apparel operations. Pavik was also named an executive vp of Montgomery Ward. Weil will become an import consultant to Ward. Weil and the man he succeeded, Richard Bourret, lasted a total of eight months in the position. Pavik will be responsible for the development and implementation of the company's apparel strategy, and he will report to Bernard Brennan, Montgomery Ward's ceo.

* * *

HAYWARD, Calif. — **Mervyn's** has named David R. Brunkal senior vp, general merchandise manager, men's, children's and home furnishings. He succeeds Art Comeau, who has resigned. Brunkal had been vp, gmm, men's and home furnishings. Brunkal also becomes a member of the executive committee and reports to Walter Rossi, president and ceo.

Discounters Increase Apparel Promos, Gain Market Share

(Continued from page 39)

merchant shoppers and 14 percent of department store customers used the term, possibly muddying results in those stores. However, only 1.1 percent of discount store shoppers cited women's clothing, a relatively insignificant amount.

Nevertheless, survey results show that discount stores picked up the pace in apparel promotion and bolstered their capability to draw apparel customers, perhaps at the expense of full-price department stores and mass merchants.

Discounter gains were spread among several product areas, but the most visible were lingerie/sleepwear, up from 3.2 percent of total mentions to 4.6 percent; women's sportswear, up to 3.1 percent of total mentions from 1.2 percent; and women's blouses and shirts, which more than doubled from 0.9 percent to 2.5 percent. Other gainers were women's sweaters, women's jogging suits, infants' and toddlers' clothing, women's coats and jackets and women's jeans.

Discounters picked up the pace in apparel promotion and bolstered their capability to draw customers, perhaps at the expense of full-price department stores.

Women's shoes, best at attracting discount store apparel customers in 1986, lost ground (from 3.2 percent to 2.7 percent), as did women's dress pants and slacks, women's accessories and men's shirts. Several minor categories did not make the list of top traffic builders in 1987, including men's coats and jackets, women's skirts and men's accessories.

Women's shoes also fell off compared to 1986 at mass merchants, along with women's sweaters, women's jogging suits, infants' and toddlers' clothing, women's sportswear, and women's coats and jackets. Gainers included women's lingerie and sleepwear, women's blouses and shirts, women's dress pants and slacks, women's accessories, men's shirts and women's jeans, along with the less specific women's clothing.

Department stores swam against the stream, at least in the women's shoes and boots category, which was up slightly and in women's blouses and shirts, which dropped slightly. Other categories which showed a gain over 1986 included women's sweaters, lingerie and sleepwear, women's coats and jackets, and women's accessories.

Losers at full-price department stores included women's blouses and shirts, women's jogging suits, infants and toddlers' clothing, women's dress pants and slacks, men's shirts and women's jeans. However, response rate from department store shoppers was lower than that at discounters and mass merchants, casting a wider margin of error on department store trends in this survey.

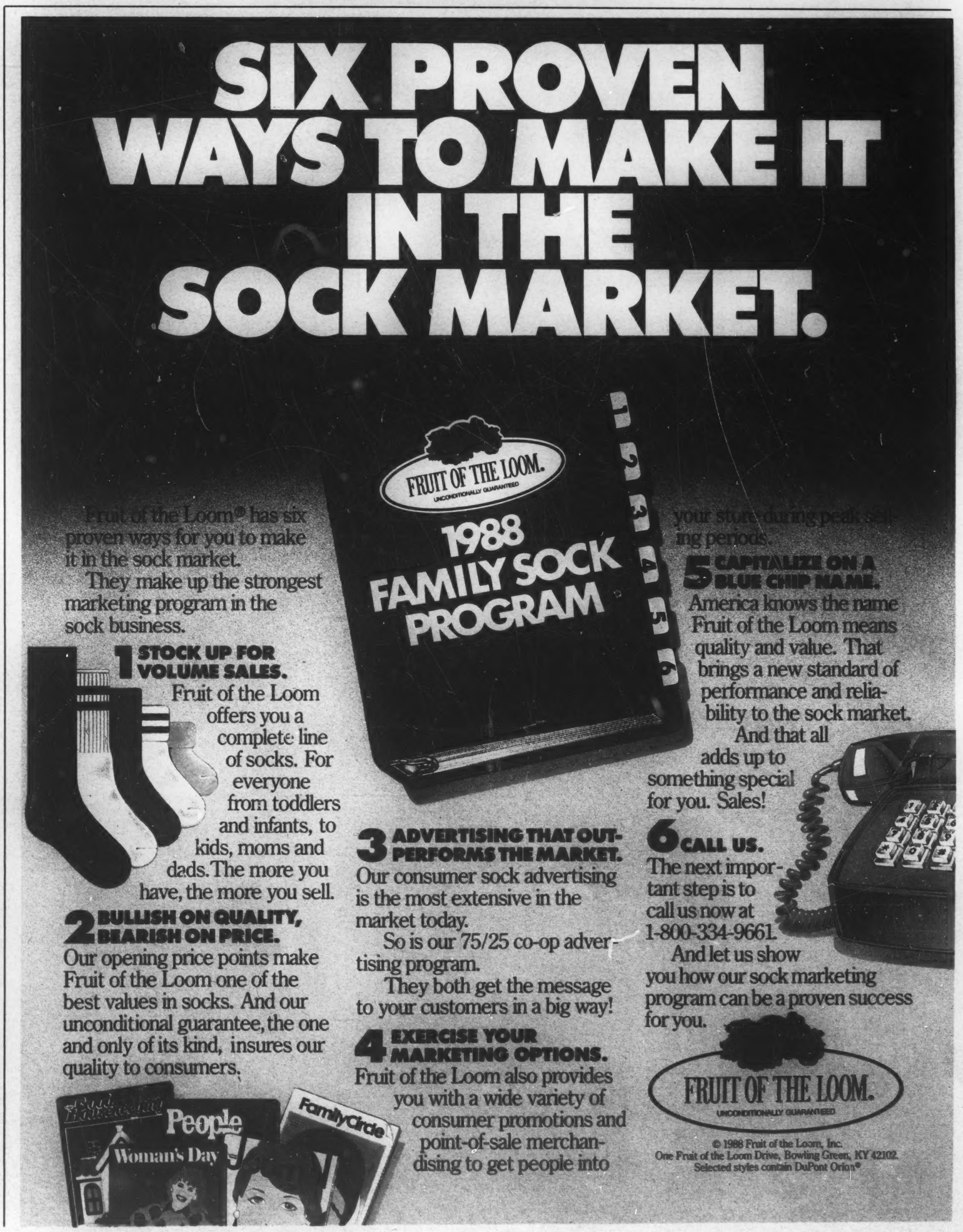
Discounter promotional attention to apparel is perhaps best illustrated by comparing the relative level of consumer interest among discount shoppers and overall consumer interest.

In 1986, most apparel items were ranked higher in their

(Continued on page 45)

Sportswear
Maternity
30
30
30
30

Women's sportswear (above, at a Columbus, Ohio Gold Circle) was one of the hottest 1987 apparel categories, more than doubling its 1986 rating. (DSN photo)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Discounters Increase Use of Apparel Promotions, Gain Market Share

(Continued from page 41)

ability to pull in customers at all stores than at discount stores. For instance, due to high ratings at other stores, women's skirts were ranked 34th overall at all stores, but 65th at discount stores that year.

In 1987, apparel products routinely finished higher among discount store customers than they did overall. For instance, women's lingerie and sleepwear was ranked sixth overall, but fifth among discount customers. Women's sportswear ranked 16th overall, 10th with discounters. And, women's jogging suits, 12th overall, were ranked eighth among all products by discount store customers.

Other categories at discount stores which outperformed the total market were women's sweaters, infants and toddlers' clothing, women's jeans, children's clothing, women's accessories, men's underwear and women's coats and jackets.

Women's blouses and shirts, women's shoes and boots, men's shirts and the catch-all, women's clothing, did not perform as well at discount stores as at all stores. However, the differences were not as lopsided as they were a year ago.

> ***In 1987, apparel products routinely finished highest among discount store customers.***

Since most of the top-rated traffic builders at discount stores were hard line goods, apparel at both mass merchants and department stores predictably fared better than at all stores. However, women's shoes and boots, women's sweaters and women's sportswear significantly underperformed the market with mass merchant customers.

Apparel brand name mentions were few and far between at all stores, though a few brands gained significant mentions from discount customers. Wrangler was easily the most commonly named brand, primarily among discount store and mass merchant customers. Others mentioned were Fruit of the Loom, Gitano and Hanes.

Wrangler, the 10th most often named brand overall, finished 16th with discount customers and first with mass merchant shoppers. Hanes, 17th overall, tied Wrangler for 16th among discount shoppers, while Fruit of the Loom, tied for 20th overall, tied for 29th at discount stores. Gitano owed its 25th place finish solely to discount shoppers, among whom it finished 20th.

Whether apparel creates add-on sales is open to question, and, given the category's relatively healthy margins, may be beside the point. At mid price points, only children's clothing, with a $55 mean ticket, chalked up a sizeable mean ticket. Women's blouses and shirts ($35) also may attract add-ons.

However, women's jogging suits ($33), women's shoes and boots ($28), and women's lingerie and sleepwear ($24) seem to leave the store without add-ons since the mean ticket these items generate is about the same as the price of one of these items.

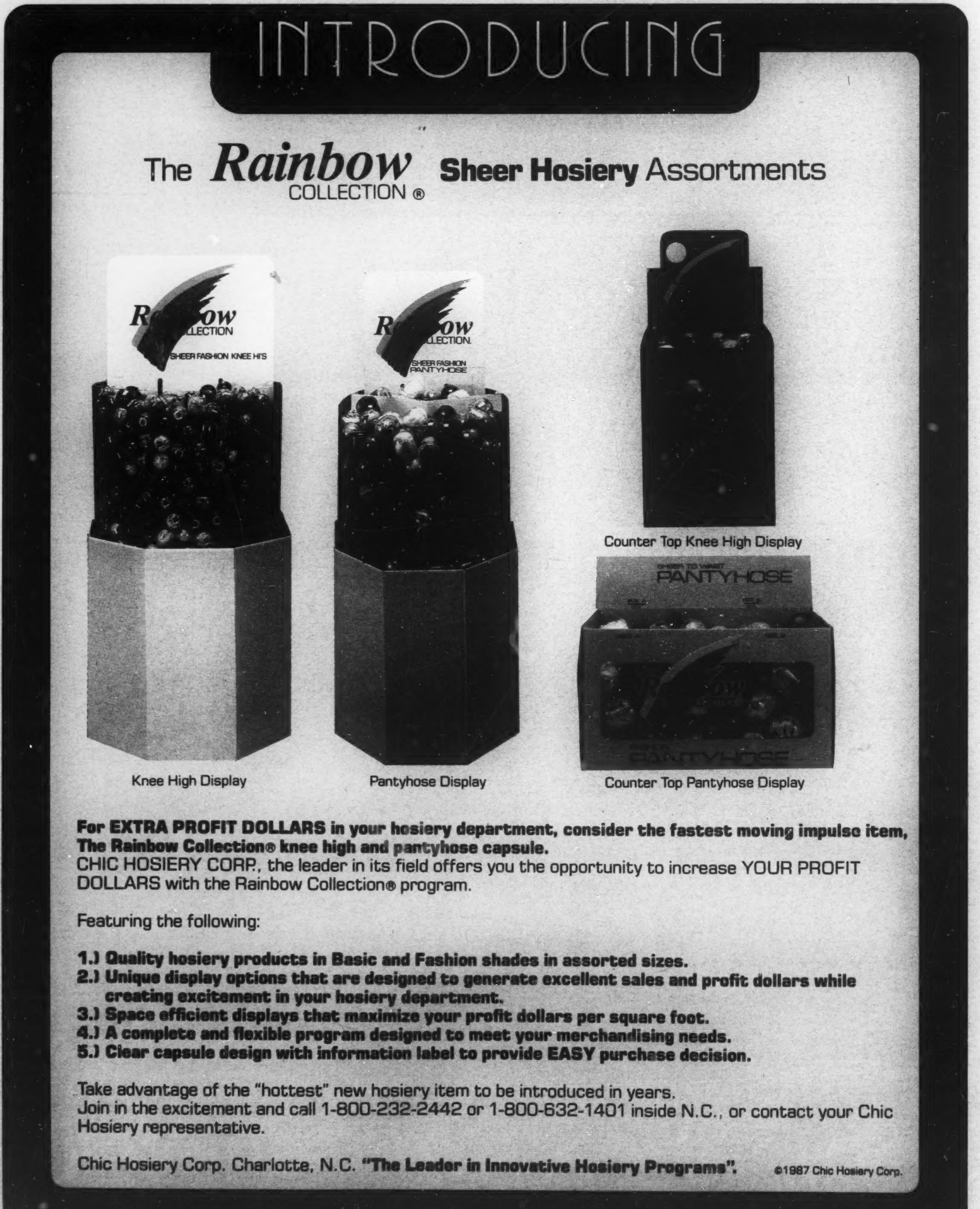
At the highest price points, women's clothing ($73) and women's dress pants and slacks ($54) may be promoting other sales, but women's jeans ($45) lost significant ground in that area last year.

In 1986, the mean ticket among shoppers who were aware of an ad or promotion for jeans was $93, which indicates a lot of jeans or significant add-ons, even in the designer area. In 1987, the mean ticket slid to $45, possibly due to the greater discount share of the market. Even at discount prices, however, not much is left over for further purchases.

Overall, discounters aiming to penetrate the massive and lucrative apparel market seem to be making inroads.

INTIMATE APPAREL

Intimate apparel, seen here at Stuarts, Nashua, N.H., placed first among apparel categories and fifth among all products, mainly due to strong promotional appeal to discount shoppers. (DSN photo)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Traffic Builders

Home Products

Household Cleaners Make Clean Sweep Again

Inexpensive household items like cleaners, paper products and laundry products were three of the four top discount store traffic builders last year. However, the direction of the industry seems to be changing, according to *DSN*-sponsored research conducted by Leo J. Shapiro & Associates last fall.

While household cleaners and household paper products retained their one-two home products ranking of a year ago as the goods most successful at drawing customers into stores, their overall scores shrank. Last year, over 10 percent of consumers attracted to a store by a promotion said that they had noticed ads for household cleaners. This year, that percentage declined to 6.6 percent.

> ***Last year, over 10 percent of consumers attracted to a store by a promotion said that they noticed ads for household cleaners.***

The percentage of consumers who said they were aware of a paper product promotion before entering a store dropped less dramatically, from 6.6 percent to 6.2 percent.

However, if discounters are downplaying promotion of these cheap, oft-consumed items, it appears that the reason has nothing to do with their add-on-sale potency. In 1986, household cleaners accounted for a $13 mean ticket; household paper products brought in $17. Last year, those mean tickets rose to $18 and $23, respectively, both good totals for relatively cheap goods. Far more expensive items, like window coverings ($26) and cookware ($27), had slightly higher mean tickets but, given their higher price, probably didn't stimulate much in add-on business.

Any downplaying of cheap home goods probably owes more to profitability patterns than anything else. Cleaners, paper goods and so on are often marginally profitable at best and, if *DSN* store visits are indica-

(Continued on page 51)

Traffic Builder Products: Home Products

Product Category	Percent of Total Mentions at All Stores	Discount Stores		Mass Merchants		Department Stores	
		Percent of Total Mentions	Percent of Mentions in Category	Percent of Total Mentions	Percent of Mentions in Category	Percent of Total Mentions	Percent of Mentions in Category
Household Cleaners	5.6%	6.6%	95.8%	—	—	—	—
Household Paper Products	5.2	6.2	98.9	1.0%	1.1%	—	—
Plastic Kitchen Items	4.7	5.4	95.0	—	—	—	—
Laundry Products	3.8	3.9	85.9	—	—	—	—
Sheets/Comforters/ Bedspreads	1.6	0.9	48.1	11.7	44.4	5.6%	7.4%
Cookware	1.3	1.5	95.5	—	—	—	—
Bath Towels	1.3	1.0	63.6	5.8	27.3	5.6	9.1
Window Coverings	1.2	0.9	65.0	5.8	30.0	2.8	5.0
Craft Items	1.2	1.4	95.0	—	—	—	—
Hard Furniture	0.9	0.8	73.3	2.9	20.0	—	—
Tableware	0.8	0.9	92.3	—	—	—	—
Televisions	0.7	0.6	75.0	2.9	25.0	—	—

[illegible] Shapiro & Associates, November 1987

Customer Response to Home Products Traffic Builders

Product Category	Percent of Mentions by Frequent Shoppers at All Stores*	Percent of Shoppers Who Bought a Product They Knew Was On Sale	Mean Ticket of Those Who Bought the Sale Item**
Household Cleaners	79.2%	67.1%	$ 18
Household Paper Products	71.6	85.9	23
Plastic Kitchen Items	76.3	53.8	26
Laundry Products	71.9	88.2	23
Sheets/Comforters/Bedspreads	66.7	65.3	34
Cookware	68.2	93.5	27
Bath Towels	63.6	58.5	26
Window Coverings	35.0	67.5	29
Craft Items	90.0	69.7	15
Hard Furniture	33.3	55.6	87
Tableware	30.8	72.7	34
Televisions	58.3	35.0	201

MARKETWATCH

NEW YORK — **The New York Gourmet Show** will be held Oct. 30 to Nov. 2, 1988 instead of the previously announced early October dates to coincide with the New York Tabletop & Accessories Show which commences Oct. 29. The Gourmet Show is produced by New York-based George Little Management Inc. Last year's Gourmet Show—including the Gourmet Products, Entirely Tabletop, and Gourmet Food & Beverage divisions— was held in early November.

* * *

WASHINGTON, D.C. — **Hair dryer manufacturers** may soon be required to alert discounters and other retailers about the hazards of defective hair dryers. In remarks made on the House floor, Rep. George Miller, D-Calif., called for "the CPSC [Consumer Product Safety Commission] to issue a regulation immediately" to warn retailers and consumers of dangerous hair dryers on retailers' shelves. A new standard implemented by Underwriters Laboratory requires all hair dryers manufactured after Oct. 1, 1987, to pose "no threat of electrocution even if submerged in water when turned off." Even with the UL standards in effect, discounters and other retailers may still be selling off manufacturers' existing stocks of old dryers without being notified by the manufacturer. "The public remains virtually unaware," said Miller about the hair dryer hazard. He also blamed the "apparent negligence of manufacturers." The CPSC was also scorned by Miller for its "dismal record . . . in carrying out its legislative mandate" to prevent retailers from selling defective products.

* * *

ATLANTA — A research study focusing on consumer attitudes toward **ready-to-assemble furniture** is being conducted by the Virginia Polytechnic Institute and State University, sponsored by the International RTA Furniture Show. Study results will be presented at the RTA show here in November and will identify: consumer demographics and attitudes toward RTA, where and why consumers buy RTA furniture, future RTA purchase plans, and the impact of price, style, quality and other factors when comparing pre-assembled furniture to RTA. RTA retail sales have been projected to double to $4 billion by 1990. The study will be conducted by Virginia Tech's Department of Forest Products and will be entitled, "A Consumer View of Ready-to-Assemble Furniture."

* * *

ROCHESTER, N.Y.— **Ultra Technologies**, a division of Eastman Kodak Company, and **Matsushita Electric Group**, Osaka, Japan, have announced a joint venture corporation that will build a modern battery plant in the United States, projected to open in early 1989 in an undisclosed location. It will operate under the name Matsushita-Ultra Tech Battery Corporation and will produce alkaline manganese batteries for both Eastman Kodak and Matsushita.

Household Cleaners Clean Up as No. 1 '87 Traffic Builder

(Continued from page 47)

tive, hard to keep in stock. Those two qualities make them less than ideal promotional items.

If discounters are accentuating their domestics departments, the attention hasn't shown up in the growth of that category as a traffic builder. While bath towels held steady as an inducement to shop (1 percent of total mentions by consumers who were aware of an ad or promotion of the product prior to shopping), sheets/bedspreads/comforters dropped from 2 percent to 0.9 percent last year. The mean ticket for towels rose from $21 to $26, while the ticket for sheets and comforters slid from $36 to $34.

Evidently, the promotional effort once given to cleaners and paper products was transferred to plastic kitchen items, which shot out of nowhere to finish third among home products with a 5.4 percent mention rate from bargain-conscious discount store shoppers. And, those customers stayed to shop, as the mean ticket among those attracted by kitchen products totaled $26, a very respectable total for an inexpensive product category. A surge in promotion of microwave products may have been the impetus here.

As in other categories, mass merchants and department stores sell only a few of the most popular promotional products, and promote even fewer. Department stores were in competition only in the areas of domestics and cookware; mass merchants competed in those two areas as well as in paper products, window coverings and televisions. On the whole, their performance in those product areas did not change much over the previous year.

> ***If discounters are accentuating their domestics departments, it hasn't shown up in the growth of that category as a traffic builder.***

Consumers are evidently sold on discount stores for inexpensive or often replaced home products. In 1986, more than four out of five consumers who knew of a sale on cleaners, paper products, laundry products and cookware were aware of a discount store sale. In 1987, the percentages, if anything, increased and hard furniture very nearly joined the club. Televisions, an area in which discounters garnered only a 25 percent rating last year, tripled to 75 percent.

Discounters' major competitors have not seen fit to cash in on their advantage in the domestics area by promoting the category. Although their lead remained overwhelming, mass merchants and department stores actually lost ground to discounters in most domestics areas.

In 1986, discounters accounted for less than 40 percent of mentions by consumers aware of sales in that area. Last year, the rating for towels nearly doubled to 64 percent and the number of consumers aware of discount store promotions of sheets and comforters rose to nearly 50 percent from 31 percent.

If discounters are intent upon boosting their image as the place to shop for domestics, and they seem to be making that effort, they have a lot of ground to make up.

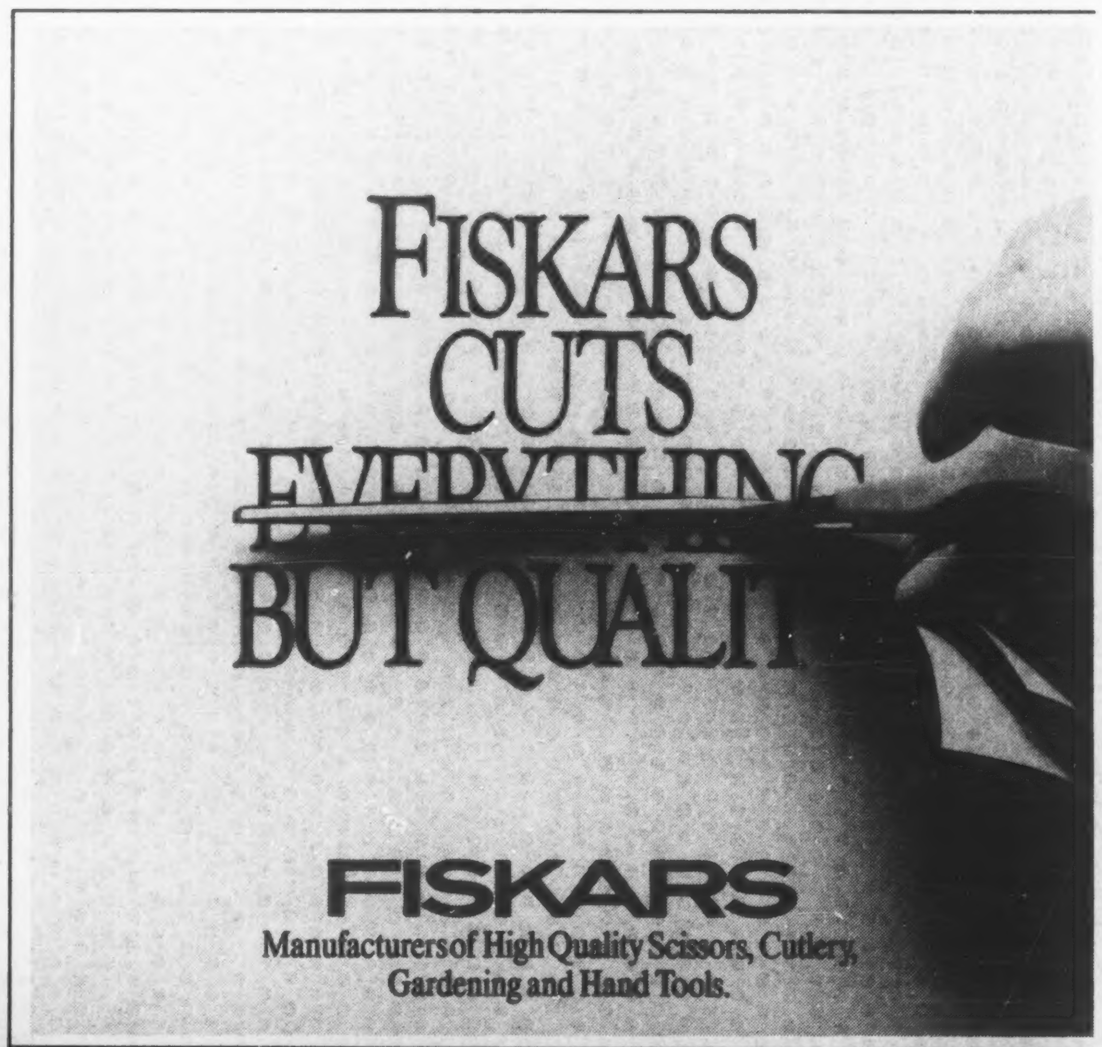
Brand appeal in the home products area seems to be very high. Rubbermaid was the No. 1 brand name overall among all shoppers attracted to a store by a promotion, and it was an overwhelmingly discount-oriented brand. GE (second), Hi & Dri (third), Delsey (fifth), Tide (sixth),

(Continued on page 52)

Discount domestics departments, like this one at Bradlees in Dedham, Mass., tailed off slightly in promotional appeal.

Household cleaners, like these in a Chicago Zayre, were the most effective promotional product at discount stores for the second consecutive year.

(DSN photos)



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Household Cleaners, Plastic Kitchen Items Are '87 Winners

(Continued from page 51)

Comet (eighth) and Mr. Clean (11th) were the other top-rated home product brands. These were basically discount store brands, although GE was named by a few non-discount customers as the promotional brand that brought them into stores.

Most other brands were also primarily promoted by discounters. They included Sani-Flush, Clorox, Downey, Dawn, Bounce, Hoover, J.P. Stevens, Pampers, Purex, Joy, Pine-Sol, Glad, Visionware and Cannon. Of those, only Bounce, J.P. Stevens and Cannon were not primarily discount brands.

Basically, the survey suggests, discounters dominate the home products market in promotional activity, with most of their competition coming from drug and specialty stores (lumped together as "Other" in the study) and grocery stores (not included in the survey), except in the domestics area, where traditional retailers control the market.

Discounters competed with this mixed bag of outlets in the areas of household cleaners, plastic kitchen items, laundry products, home care products, light bulbs, soda, tableware and several other minor categories. However, discounters easily dominated these alternative outlets, according to the study.

Discounters dominate the home products market in promotional activity, with most competition coming from drug and specialty stores.

As a rule, promotion involving household products did not attract new or infrequent shoppers. For instance, over 80 percent of those who knew of a special on household cleaners were regular customers of the store they visited. The same held true of most other home products categories, where a rating of 70 percent regular customers was about average.

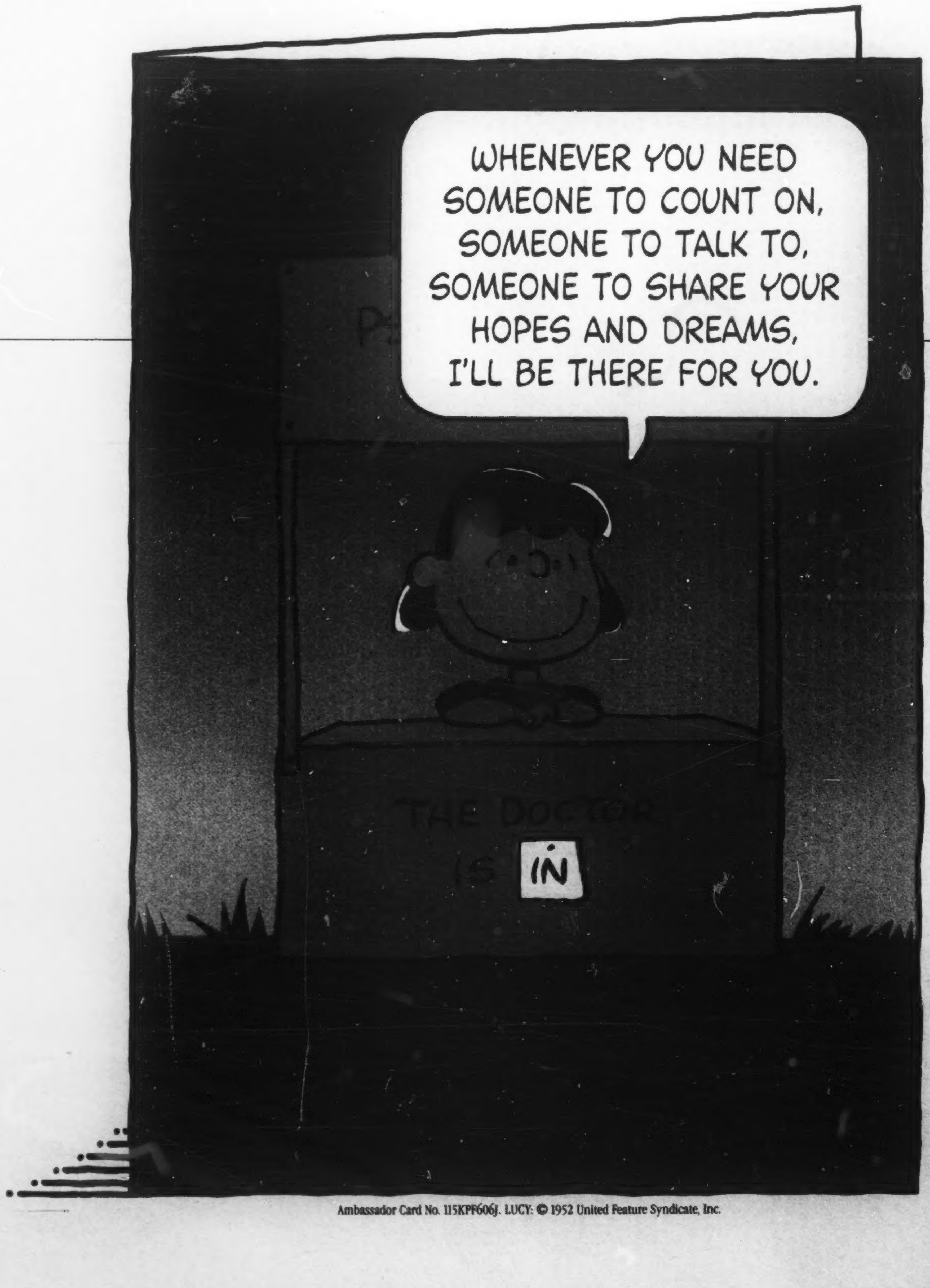
The exceptions to the rule are interesting. Light bulbs, pet supplies, window coverings and tableware attracted significant numbers of new customers. Unlike most other products attractive to new customers (who are probably comparative shoppers), all except window coverings appeared to stimulate add-on sales.

Pet supplies and light bulbs, two relatively cheap products, accounted for mean tickets of $24 and $18, respectively. Tableware, another relatively inexpensive category, did even better in stimulating add-ons, generating a $34 mean ticket. In contrast, window coverings, considered an expensive product, accounted for a mean ticket of only $29 among shoppers who were aware of a promotion or sale.

Overall, promotional strategies in the home products arena seem to be evolving toward slightly higher margin and price goods. Household cleaners, the epitome of the high-traffic, low-cost traffic builder, lost ground this year, particularly at discount stores, while pricier goods like plastic kitchen products and laundry products gained dramatically over last year.

On the other hand, another low-price, low-margin staple, household paper products, also picked up considerably over 1986, so any movement toward other products appears to be evolutionary in nature.

Cookware, as in this housewares department at an Altoona, Penn. Gee Bee, was effective in drawing new and infrequent customers on promotion. (DSN photo)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Hair, Personal Care Draw Promotional Shoppers

Hair care and personal care products were the most popular promotional goods among discount store hard lines shoppers in 1987, a *DSN* survey conducted by Leo J. Shapiro & Associates indicates. On the whole, promotional activity in the hard lines area seems to have slipped from 1986 levels, but the category still is very good at attracting new customers and above average in stimulating add-on sales.

The study, conducted in October 1987, questioned shoppers as they left a variety of stores nationwide about what had brought them to the store and what they bought. In short, they bought less hard goods on promotion, in keeping with the widespread de-emphasis of several hard lines areas by discounters.

Rated against all products at all stores, hard goods accounted for only six of the top 20 traffic building products.

Although discounters' shares of most hard goods categories remained constant vs. other types of retailers, the number of customers who said they had seen an ad for a given product shrank in virtually every hard goods product area from customers' responses the previous year.

The exceptions were hair care and personal care products, not included in hard lines last year, which led the category, and motor oil, which was up nearly 50 percent from 1986 at discount stores. On the other hand, home care products and toys were off by around 50 percent each at discounters.

Rated against all products at all stores, hard goods accounted for only six of the top 20 traffic building products (two quasi-hard line food products also finished in the top 20 and over-the-counter drugs finished 21st). Of the 13 leading hard lines product categories, four rose vs. their standing in 1986 against all products that year, eight dropped in

(Continued on page 60)

Traffic Builder Products: Hard Lines

Product Category	[illegible]	[illegible] Mentions	[illegible] Category	[illegible] Mentions	[illegible] Category	[illegible]	[illegible] Category
Hair Care/Personal Care Items	5.2%	4.4%	70.5%	—	—	2.3%	5.6%
Home Storage (e.g., mirrors, closet organizers)	2.8	3.1	93.6	1.0%	2.1%	2.8	2.1
Toys/Games	2.8	2.4	72.3	1.0	2.1	—	—
Motor Oil	2.6	2.6	90.9	2.9	6.8	—	—
Home Care (e.g., tool boxes, leaf bags)	2.3	2.1	76.9	1.9	5.1	—	—
Automotives (e.g., brake fluid, batteries)	2.2	2.3	86.5	2.9	8.1	—	—
OTC Drugs	1.8	0.6	25.8	1.0	3.2	—	—
Light Bulbs	1.8	1.8	83.3	—	—	—	—
Pets/Pet Supplies	1.2	1.2	85.0	—	—	—	—
Antifreeze	1.1	1.2	94.4	1.0	5.6	—	—

Source: Leo J. Shapiro & Assoc.; DSN, November 1987

Customer Response to Hard Lines Traffic Builders

Product Category	Percent of Mentions by Frequent Shoppers at All Stores*	Percent of Shoppers Who Bought a Product They Knew Was On Sale	Mean Ticket of Those Who Bought the Sale Item**
Hair Care/Personal Care Items	59.1%	77.2%	$16
Home Storage (e.g., mirrors, closet organizers)	68.1	70.8	$39
Toys/Games	59.6	74.4	$33
Motor Oil	65.9	78.1	$30
Home Care (e.g., tool boxes, leaf bags)	61.5	70.8	$39
Automotives (e.g., brake fluid, batteries)	73.0	69.0	$30
OTC Drugs	51.6	77.8	$15
Light Bulbs	60.0	63.3	$18
Pets/Pet Suppiies	45.0	85.0	$22
Antifreeze	50.0	83.8	$24

*Shoppers who shopped store at least twice a month
**Could include other items as well as sale items

Source: Leo J. Shapiro & Assoc., DSN, November 1987

MARKETWATCH

COLUMBUS, Ohio — **Nationwise Auto Parts**, the auto parts chain based here, signed a letter of intent late last month to purchase Guarantee Auto Stores, an Indianapolis-based auto parts retailer, for an undisclosed price. Completion of the deal would add Guarantee's 77 stores in Ohio, Indiana, Kentucky and Michigan to Nationwise's 200-store operation which does business in 10 Midwestern and Southern states.

* * *

PHILADELPHIA — **The Pep Boys—Manny Moe & Jack** has adopted a poison pill that any corporate raider would be hard put to swallow. Its anti-takeover measure comes in the form of a distribution to stockholders of a right to buy a share of common stock at $55 for each share of common they now own. The right to purchase would come into play when a raider acquired 20 percent or more of its stock or offered to buy 30 percent or more. Mitchell G. Leibovitz, president of the automotives parts chain, said he knows of no effort to gain control but that the poison pill was merely a standard safeguard. In a letter explaining the move to stockholders, Leibovitz said 35 percent of Fortune 500 companies have adopted such a defense.

* * *

PONTIAC, Mich. — Citing, in part, disappointing results from its Auto Works parts chain, Perry Drug skipped a quarterly dividend for the first time in its history and reported a loss for both the fourth quarter and its 1987 fiscal year. For the year, Perry reported a loss of $7.9 million, compared to profits of $5.9 million, or 59 cents a share, in 1986. Sales rose 12 percent to $726 million from $648 million a year earlier. The loss came to 79 cents a share, of which 42 cents stemmed from operational losses of its three divisions: drug stores, auto parts and health care. Perry declines to report results by division. All a spokesman would say about Auto Works is that it "didn't do as well as we had hoped."

* * *

ST. LOUIS — **Eveready Battery Co.** has developed what it calls the next generation of lithium batteries. The new lithium battery uses a lithium thionyl chloride technology, which the company patented. The batteries can be stored for 10 years or longer, provide more than 30 hours of continuous light, and are half the size and weight of other products, said Gilbert Merritt, director of technical resources at Eveready. And beginning in early 1988, the U.S. Army will begin using the new lithium battery to power radios that direct troop movements. "This technology offers more power per unit volume than any other battery previously used by the military," said Merritt, noting that magnesium batteries can provide only 10 hours of continuous power.

Hair Care, Personal Care Products Draw Promotion-Oriented Shoppers

(Continued from page 59)

standing, and one, hair and personal care items, duplicated its second place finish overall. The biggest loser was home care products, which skidded from third place in 1986 to 15th this year; motor oil gained the most, moving up to 12th place from 20th.

Most hard goods performed slightly better as traffic builders in discount stores than in the market as a whole.

However, the differences were minor in most cases. Only motor oil, automotives, craft items and antifreeze rated significantly higher with discount customers than with shoppers as a whole. Hair and personal care products and over-the-counter drugs more than leveled the equation.

The most remarkable trend suggested by the survey is a far higher percentage of new or infrequent customers visiting hard lines departments.

Overall, the mean ticket of discount shoppers who were aware of a store promotion or ad was $28. Most hard lines products exceeded that figure, indicating the presence of profitable add-on sales. The average customer attracted by a promotion of home care products, for instance, spent $39 in all. The toy shopper spent a mean of $33 and recreational product (including sporting goods) shoppers spent $43 each.

Overall, mean tickets remained steady, a few up, a few down. Home care products was a major loser, however, dropping to $39 from $51 in 1986. Motor oil also seemed to have become more of a destination item, its mean ticket dropping from $37 last year to $30 this year, still a respectable total for basically a 99 cent item.

On the other end of the spectrum is paint, which last year accounted for a mean ticket of $32. This year, that total sank to $28, about the price of two gallons of mid-price paint and a brush or two. Evidently, one could surmise, oil customers linger to pick up a few odds and ends; paint customers can't wait to get home and complete the job.

The most remarkable trend suggested by the survey is a far higher percentage of new or infrequent customers visiting hard lines departments. In 1986, hard goods were purchased almost exclusively by regular customers; last year the reverse was true. Since new customers aware of a promotion are usually attracted by that promotion only, they tend to buy what they came for and get out more often than regular customers.

This may explain a few of the precipitous drops in mean tickets although many hard goods, by their very nature, promote add-on purchases. Motor oil, for example, is often sold in tandem with funnels, oil filters and other automotive products.

The shift in customer makeup was very pronounced in some areas. In 1986, nearly nine of 10 automotives customers were frequent store shoppers; in '87, the percentage dropped to seven of 10. Just half of antifreeze and hardware shoppers were regular customers, and less paint shoppers were regulars. Most other ratings dipped slightly.

Two categories, craft items (90 percent regular shoppers) and tools (85 percent), ran counter to the trend.

Hard goods customers seem to be very brand loyal. Only six brand names from last year's top 20 made the list again this year, and three of them, Quaker State, Prestone and Fisher Price, were hard goods products.

Overall, hard goods brands like Gum-Out, Black & Decker, Timex, Motorcraft, Colgate, Fram and Maybelline placed high in brand attractiveness to promotion-conscious shoppers.

Fewer consumers shopped for hard goods in response to ads in almost every category compared to the previous year, with the exception of hair care and personal care products. (DSN photo)

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Discount Department Store Sales Take Nose Dive in September

Nationwide DSN Report

Retail sales at discount department stores slipped dramatically in September, falling 9.2 percent from August to $5.14 billion, unadjusted, the U.S. Commerce Department reported last month.

It was the second largest monthly drop among retailing entities in the general merchandise group. The largest monthly drop was recorded by national chain department stores, which reported a sales decline in September of 13.5 percent, to an unadjusted $2.7 billion.

As a group, sales in the general merchandise category fell 9 percent to $12.5 billion, unadjusted, the Commerce Department reported.

Although the monthly drop was substantial, a Commerce Department spokesman told *DSN* that the decline was not unusual for September when sales "have been known" to dip below August's level.

In fact, "August generally outperforms September," said Robert Hayes, chief economist in the research department at K mart. "August is the back-to-school month, not September."

In addition, auto sales were very strong in September, noted Hayes, which "draws away from other purchases."

In September, total retail sales were an unadjusted $124.2 billion. This was down 5.5 percent from August and was also slightly less than 1 percent from September 1986.

Retail sales, excluding autos, were down 4.5 percent in September, to an unadjusted $94.6 billion, but were up 4.7 percent from last September.

Total retail sales for the first nine months of 1987, including automobiles, were an unadjusted $1.1 trillion, up 10 percent from the nine-month period in 1986.

Excluding automobiles, retail sales totaled $839.8 billion, up 4.5 percent from the same time in 1986.

Preliminary year-end retail sales figures will not be available until next month.

The nine-month total for discount department stores was $45 billion. There is no comparison with 1986 because the Commerce Department only broke out discount stores from the general merchandise category last January.

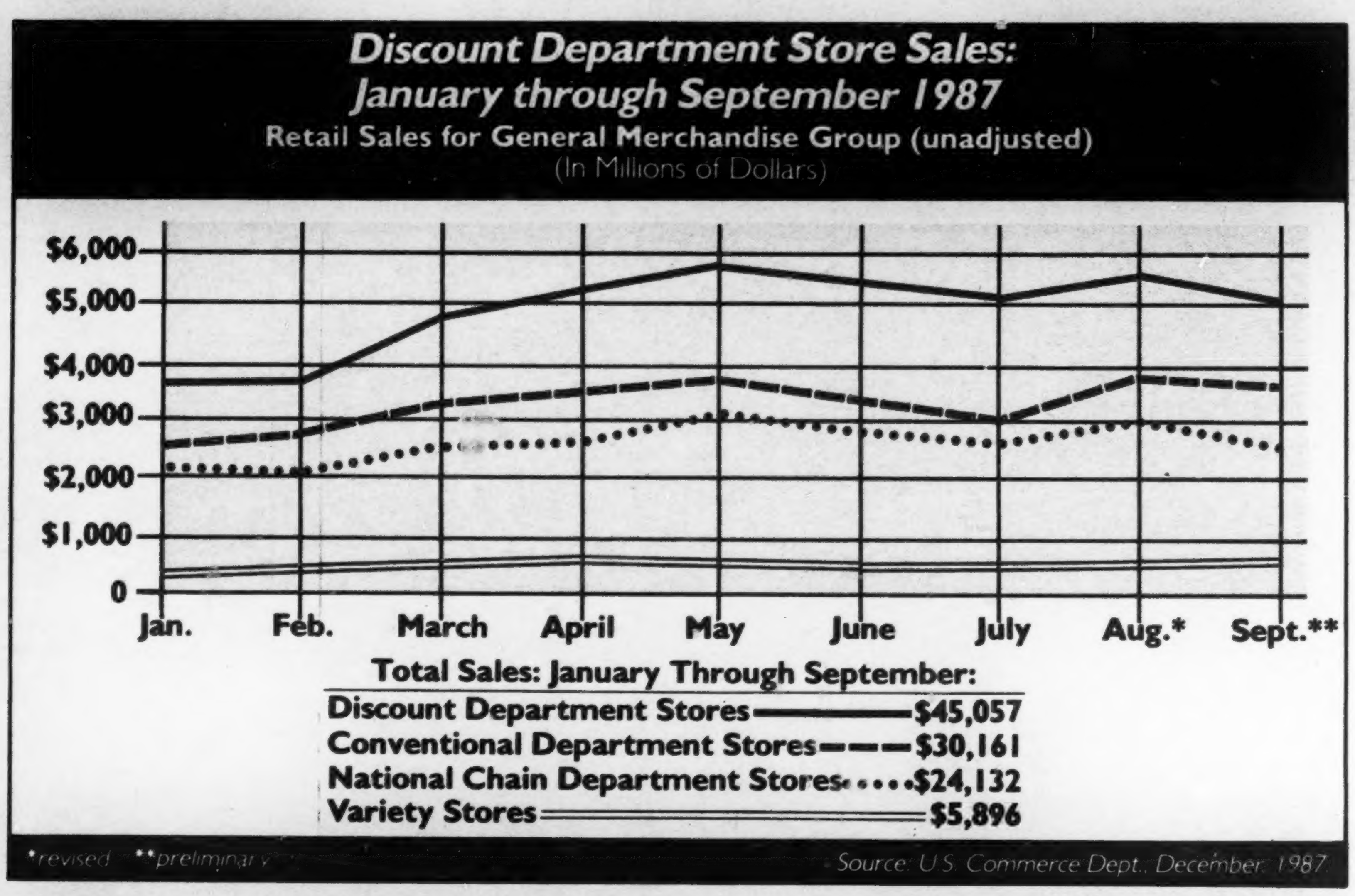
For the nine months, all general merchandise operations—conventional department stores, discount department stores, national chain department stores, variety stores and miscellaneous general merchandise stores—recorded an unadjusted $108.25 billion in retail sales. This total reflects a 5.3 percent increase over the same nine-month period in 1986.

Sales at conventional department stores totaled $30.16 billion, unadjusted, for nine months, and $3.65 billion for September, down 5.3 percent from August.

Variety stores sales for the nine months were an unadjusted $5.89 billion and $640 million for September, down 9 percent from August.

Miscellaneous general merchandise sales were $10.10 billion, unadjusted, for the nine months and $1.15 billion for September, down 7.7 percent from August.

National chain department stores recorded a nine-month sales total of $24.13 billion, unadjusted.



Discount Department Store Sales: January through September 1987

Retail Sales for General Merchandise Group (unadjusted)

(In Millions of Dollars)

Total Sales: January Through September:

Discount Department Stores ——	$45,057
Conventional Department Stores – – –	$30,161
National Chain Department Stores ••••	$24,132
Variety Stores ═══	$5,896

*revised **preliminary

Source: U.S. Commerce Dept., December 1987

Pic 'N' Save Reports Sales Increase

CARSON, Calif. — Pic 'N' Save, the 125-unit closeout retailer based here, reported November sales of $44.7 million, a 29 percent increase from the year-earlier month. Year-to-date sales for the West Coast-based closeout chain were up 17 percent to $292.6 million compared to the year-earlier 11-month period.

Comparable store sales rose 10 percent in November and 5 percent for the 11-month period. Pic 'N' Save opened four stores in November in Canoga Park and Chatsworth, Calif., and Pasadena and North Oaks, Texas. For the first 11 months, the chain opened 24 new stores, including one replacement unit. It opened one store in December, bringing the chainwide total to 125.

"Sales during November of the prior year were adversely impacted in many California markets by the liquidation sales of Gemco discount stores," said Lewis B. Merrifield III, president and chief executive officer. "In November of 1987, most of these locations were operated as Target discount stores with aggressive promotional programs."

"In view of the fact that Pic 'N' Save's improved sales trends in November of 1987 were experienced in all markets, including those areas not influenced by the Gemco liquidation of last year, we believe we now are seeing positive results from our store reformat work and merchandising programs," Merrifield said.

December sales were not available yet, but Merrifield indicated that the chain did not anticipate that this year's holiday season sales would match the gains experienced in November.

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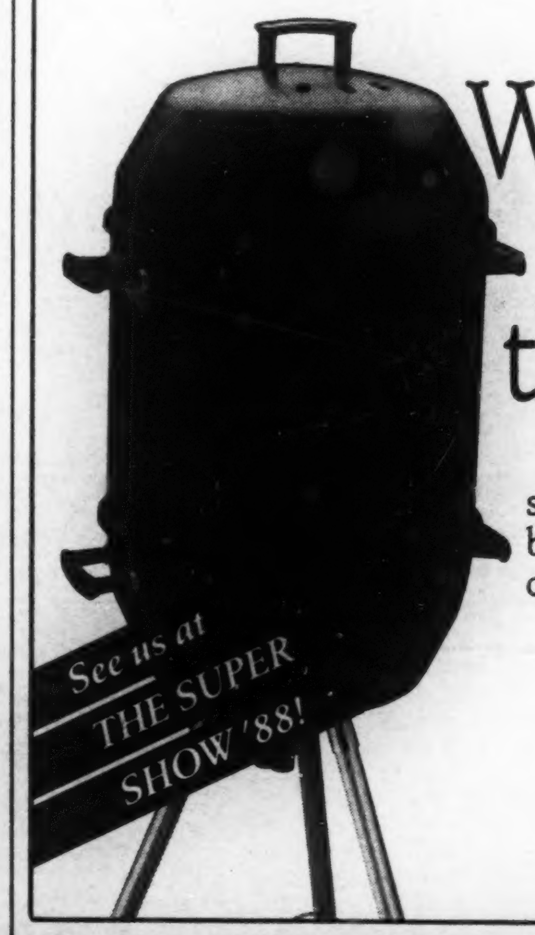

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Discounters Face '88 Gingerly After Modest December Sales

(Continued from page 1)

time. Others, however, said sales and further markdowns will be the name of the game during early 1988.

According to most full-line discounters contacted, hard goods—including consumer electronics, sporting goods and records and tapes—moved better than soft goods. Many said men's wear was stronger than women's wear, and accessories across the board was a strong category.

A couple of discounters said toy sales weren't up to par because of the lack of a hot new toy, and a few pointed to less-than-expected sales of televisions and stereos—big ticket items that could have been affected by consumer caution over the October stock market plunge and the sluggish economy in general.

Analysts and other industry observers said that while December sales results at most discounters were according to plan or even slightly above plan, those increases probably came at the expense of profits.

Margins Under Pressure

"Margins came under pressure as the month [December] progressed," said Jeffrey Edelman, retail analyst at Drexel Burnham. "We expect fourth quarter profits to be flat at many discounters," he said, adding "just how flat depends on just how much markdowns were stepped-up."

Most analysts predict modest sales gains at best for the discount industry in general through the first half of 1988. The very tough first half of 1988 will be more like the tougher second half of 1987 than the better first half of 1987. Hence, sales gains compared to a year ago during the first six months of 1988 will be nominal, analysts and other observers said.

"Most discount stores during the first half of the year will see 3 percent to 5 percent comp store sales gains at best," said Kurt Barnard, president of Retail Marketing Report and Barnard Enterprises, New York City-based retail consultants. "The Christmas period was quite unspectacular, and sales were below expectations of many retailers. And we see absolutely no change in the first half of 1988. There will be a continuing consumer conservatism and resistance due in part to consumers' earnings barely keeping pace with inflation during much of 1988."

One of several discounters that saw holiday sales come in below expectations was Zayre Corp. An executive at Zayre told *DSN*, "Christmas sales were softer than we would have liked. We're somewhat disappointed."

The Framingham, Mass.-based discounter reported December sales for the discount division (not including TJX Cos.) up 6.9 percent, with comparable store sales up a mere 0.2 percent.

The executive said that the Zayre customer has always been a late Christmas shopper, but that the customer was even later than usual this year. He added that instituting major storewide sales to clear out inventories is "an issue currently being addressed."

He also said, echoing many other discounters, that Zayre is approaching 1988 cautiously. "Consumer fears continue. And for the discount customer it's not just 'What kind of raise will I be getting this year?' It's more like 'Will I have my job?' More than other shoppers, the discount shopper feels the potential impact of an economic downturn."

At K mart, a spokesman said, "We're satisfied with the Christmas season." The Troy, Mich., retailer posted December sales gains of 8 percent, with a same store sales increase of 5.7 percent for the month (sales for the 48 weeks ended Dec. 30 were $24.15 billion, up 7.7 percent from a year ago; comp store sales increase for the 48-week period was 4.2 percent). The discounter had 2,108 units in operation at year-end, compared to 2,087 at the end of 1986.

The spokesman added that consumer electronics and appliances were particularly good, and that women's was stronger than men's wear.

A Target spokesman said, "Sales were better than planned," but added that "there were no real surprises." He also pointed out that comp store increases are "in many cases real increases, because—at least at Target—a lot of products were sold at the same or very close to the same price as last Christmas."

Target, based in Minneapolis, posted a 33 percent December sales gain, with a 5 percent comp store increase. The spokesman said Target had 317 units in operation as of year-end, compared to 246 a year ago. Target's fiscal year closes at the end of the month. The spokesman added that the traditional hard lines, including consumer electronics, toys, and records and tapes, were strong sellers. In apparel, accessories as well as fleece, novelty prints and fine jewelry did well.

A spokesman at Wal-Mart said, "sales were real good," with the discounter posting a 34 percent December jump and a 12 percent same store sales rise (for the 11 months ended Dec. 31, sales also jumped 34 percent to $14.8 billion; comp store gains for the 11 months were 11 percent).

The Bentonville, Ark.-based company said it had 1,114 Wal-Mart stores and 84 Sam's Wholesale Clubs in operation as of Dec. 31, compared with 974 Wal-Marts and 49 Sam's at year-end 1986.

An Encouraging December

Gold Circle, Worthington, Ohio, had an "encouraging" December, according to Kathy Schmelzer, vice president of public affairs. "Sales were particularly strong in the Northern regions."

A spokesman for parent, Federated Department Stores, said Gold Circle posted December sales increases of 2.1 percent, with no new units opened during the year.

At Rocky Hill, Conn.-based Ames, sales for the five weeks ended Jan. 2 rose 8.7 percent; 5.6 percent on a comparable store basis.

"That's a good increase for a difficult season, but it was under plan for the month for us," said spokeswoman Catherin Leonard.

However, she said that the sales gains were not buoyed by markdowns. "Not only was promotional activity not above plan, but it was not above last year either."

Leonard said inventories are in good shape, with no perishable seasonal merchandise that has to be disposed of. However, she said television, stereo, VCR, microwave, calculator and camera sales were disappointing, and that bicycles "saved" the toy category. "Action figures for young boys fell apart," she added.

For the new year, Ames has a couple of fall-back plans that will greatly modify store unit growth if the economy takes a sharp turn for the worse, Leonard said. "We're remaining flexible in terms of growth," she said.

Ken Thrasher, chief financial officer at Fred Meyer, the Portland, Ore.-based superstore chain, said, "Sales were a little above plan. Our business is basics, and basics weren't impacted that much. Non-food did better than food, and hard goods did better than soft."

However, Thrasher added that consumer concerns could deepen during the year over fears of possible tax increases and higher interest rates.

At Hills, a spokesman said comp store increases, seasonally adjusted through Jan. 2, were up 10 percent.

While inventories are in good shape and the Canton, Mass.-based chain is not faced with big markdowns, the spokesman said Hills is approaching the first half of 1988 "with a great deal of caution," adding that the consumer is in a very conservative mode right now.

Other December sales results for full-line discount retailers were: Jamesway, up 13 percent, with a 5 percent store-for-store increase; Bradlees up 10 percent, 5 percent comp store gain, and Pic 'N' Save (unaudited sales) up 28 percent, comp stores up 8 percent.

David Dash, a senior vice president at Marshalls, the largest off-price apparel chain in the nation, said, "We're very pleased with Christmas results. We had healthy double-digit increases."

Dash added that better merchandise did exceptionally well, compared to lower priced basics. He also said men's wear was stronger than women's, and the toughest area was junior sportswear, a category that began a marked slowdown in sales at many off-pricers—as well as at department and specialty stores—as early as September.

Dash said that misses was stronger, and that infant and toddler girls', along with accessories across the board, was very strong.

We're Well Positioned

"We're well positioned compared to a year ago, with an increased focus on the better part of the business," he said.

Ben Cammarata, president of TJX Cos., said that Christmas sales at T.J. Maxx, the country's second largest off-pricer, "went well," with the chain posting comp store sales increases for the month of over 7 percent.

"We also didn't promote," Cammarata said. "We had good gross profits as well."

With total inventories down 15 percent over last year at this time, Cammarata said, "We're optimistic about the first half of the year. There'll be a lot of good buying opportunities. We have a lot of open-to-buy right now."

Many of the off-price apparel chains did far better than their specialty apparel chain cousins—The Limited and The Charming Shops, among others, posted comp store sales declines for December.

Results at some of the hard lines specialty chains were: Toys "R" Us, up 30.2 percent for the eight-week Christmas season, comp stores up 12.3 percent; Child World, up 20.7 percent for the eight-week season, comp stores up 8.5 percent; and Circuit City Stores, up 28 percent for the month, with a 4 percent comp store increase.

As far as the first half of 1988 is concerned, the only possible bright spot, as pointed out by Ed Johnson, security analyst and director of Johnson Redbook Service, is that some consumers will have a bit more disposable income in the second quarter from tax refunds.

Grand Auto Sold for $16 per Share Cash

(Continued from page 3)

fer. Paccar came to the board on its own last month, said Bruce Levitin, Grand vice president for administration.

When Paccar acquired Al's, its president, Ron Hollyoak became a Paccar vp. He will oversee Grand once the deal is closed.

The joint acquisition agreement will be submitted to stockholders for approval at a special meeting to be held soon. Approval is expected.

In 1986, Paccar earned $54.3 million on sales of $1.8 billion. For the nine months ended Sept. 30, 1987, Paccar already had earned $77 million on sales of $1.75 billion.

Grand Auto lost $136,000 from operations during its fiscal year ended Jan. 31, 1987, compared to net operating profits of $2.6 million the previous year. Sales in fiscal 1987 dipped to $165.8 million from $167.7 million in fiscal 1986. In its third quarter ended Oct. 31, 1987, it lost $3.4 million on top of a $19,000 loss during the first six months of fiscal 1988.

Grand opened four new stores and closed 10 older units for a net decline to 107 from 113 last year. It plans to open eight units in 1988.

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Vol. 27, No. 2 Jan. 18, 1988

PACE Axes Original Club, Converts Site into Third DC

(Continued from page 3)

Steinbrueck said the company expects the redistribution operation to occupy approximately 50,000 square feet, or about 50 percent of the current facility's space. He said the company is looking at possible alternative uses for the remaining space. One consideration would allow the company to store some of its central forms and supplies at the facility.

PACE also operates redistribution centers for both the Washington, D.C./Baltimore and Los Angeles area markets. However, Steinbrueck said at these locations the redistribution centers are housed along with a warehouse location, and both facilities also have buying offices.

PACE ceo and chairman Henry Haimsohn said major markets are best served by the addition of a redistribution facility. "Redistribution centers allow PACE to buy optimum quantities of high quality merchandise that are quickly parceled out to area warehouses."

Haimsohn also said the company expects sales to surpass the $1 billion mark in 1988, as the company looks to open three additional sites during the year. Two Southern California locations are planned and a membership club will also be opened in Charlotte, N.C.

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Discount Store News®

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February 1, 1988

L. Luria & Son's new prototype, which highlights jewelry in the center of the racetrack layout, is expected to help power the cataloger's sales to $350 million by the end of the decade.

Star of Troubled Catalog Industry

Luria Eyes 14% Growth in '88

NEW YORK — L. Luria & Son expects its new showroom prototype, unveiled last fall, to help propel sales this year to about $234 million, and to about $350 million by the end of the decade.

The cataloger, which has all of its 43 showrooms in Florida, will open at least four new stores in the Sunshine State this year, two in Tampa, where it currently has three, and two in the Greater Miami market, already home to eight units.

Chairman Leonard Luria told an American Stock Exchange Club meeting here in

(Continued on page 47)

Sports Club May Open by 3rd Qtr.

Spin-Off Puts K mart In Sport Specialty Arena

By Richard C. Halverson

SAN ANTONIO, Texas — In another thrust into specialty retailing, K mart is launching a four-unit test of sporting goods membership warehouse clubs.

The new venture, Sports Club of America, will be a division of Builders Square, K mart's home center chain, *DSN* has learned, and the first store could be opened early in the second half of 1988.

Thomas J. Klimback, formerly vice president of development for Builders Square, is chief operating officer of Sports Club. Builders Square and Sports Club will operate out of separate offices in San Antonio.

Frank Denny Jr., son of Builders Square founder Frank Denny and formerly product development manager for Builders Square, is the general merchandise manager, Klimback said.

Charles White, formerly head of sports sales at K mart's Troy, Mich., headquarters, is senior vice president for operations of the new venture. K mart has also transferred Gary Miller to San Antonio as senior buyer for hunting, fishing and camping equipment.

K mart, already the dominant sporting goods retailer in the U.S. through its full-line discount stores, is the latest entrant into the booming sports warehouse market. Others include SportMart, Niles, Mich.; Sports Authority, Fort Lauderdale, Fla.; All American SportsClub, Los Angeles; and other chains, mostly in the Southeast. It enters the specialty market just as industry analysts project double digit sales increases.

Most of the new entrants in the warehouse field charge no membership fees, including Sports Authority and SportMart, but K mart's Sports Club will charge as yet undetermined membership fees.

The warehouse venture allows K mart to apply its sport-

(Continued on page 47)

Retail Chains Back in Play As Dart Courts Stop & Shop

LANDOVER, Md. — The Dart Group has offered to buy Bradlees parent, Stop & Shop—provided the Boston-based retailer surrenders without a fight.

After the market closed on Jan. 20, Dart offered $30 a share (when the stock was trading for $26) for the balance of 27.9 million shares outstanding. But, the offer was contingent on the board's giving up two of its most powerful anti-takeover defenses:

- Its poison pill provision;
- The protection of Massachusetts anti-takeover laws.

Earlier in the month, the Dart Group put Stop & Shop in play by disclosing to the Boston-based concern that it is seeking antitrust clearance to acquire an additional $15 million worth of the firm's shares.

Dart president Robert Haft said his company already owns 3 percent. The takeover price would be $840 million.

Dart's bid for Stop & Shop represents its fifth attempt to take over a retail chain. Previous unsuccessful takeover targets include Safeway, Supermarkets General and Dayton Hudson, parent of Target.

Although it lost some $60 million on its attempt to buy Dayton Hudson, the Dart Group has profited handsomely in its previous raids.

Haft declined to comment on published reports that the Dart Group is sitting on $400 million in cash that could be used to finance a takeover.

Stop & Shop's 114 supermarkets and its 171 Bradlees stores would be "a natural fit" with the Crown Books and Trak Auto stores of the Dart Group, Haft told *DSN*.

"We're third generation retailers, and we're dedicated to being retailers," said Haft, son of Dart Group chairman Herbert Haft.

Stop & Shop officials were unavailable for comment on

(Continued on page 47)

Wal-Mart Launches World's Largest Private Satellite Communication System

By Arthur Markowitz

BENTONVILLE, Ark. — Wal-Mart has launched the world's largest private integrated satellite communication network, providing two-way voice and data and one-way video transmission between its headquarters here and over 1,200 store, regional office and distribution center locations.

Hughes Network Systems provided the equipment, a "hub station" at headquarters consisting of a 9-meter antenna dish and "personal earth stations" (PES) with smaller 1.8-meter dishes at the stores and warehouses. The stores in Florida use a slightly larger 2.4-meter dish as these units are at

(Continued on page 48)

The discounter's precedent-setting network is expected to be cloned in whole or part by other retailers who are also looking to provide better customer service while significantly reducing communication costs.

The Ku-band network provides real-time, round-the-clock transmission, with voice and computer data flowing between Bentonville and all locations, while video signals are broadcast only from headquarters to the stores and other facilities.

NRMA Gold Medal Humbles Walton

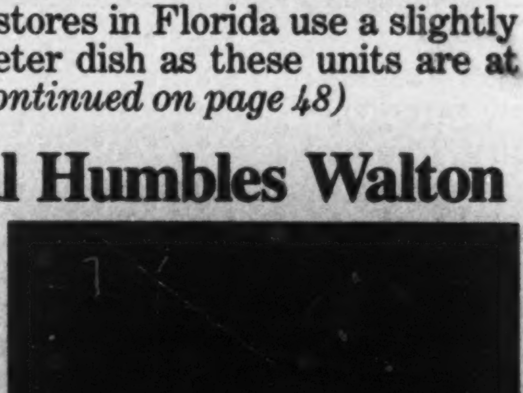
By Peter Hisey

NEW YORK — Sam Walton, founder, chairman and chief executive officer of Wal-Mart Stores of Bentonville, Ark., was awarded the prestigious National Retail Merchants Association's Gold Medal at an industry luncheon sponsored by the NRMA.

Sumner Feldberg, chairman of Zayre Corp.'s executive committee and last year's Gold Medal recipient, made the presentation.

Introduced as "a country

(Continued on page 48)



Sam Walton at the NRMA luncheon: 'The reason for our success is our people and the way they're treated.' (DSN photo)

Big & Tall Fashion Spurs Plus Sales

Photo Price Hikes Develop

Calif. Paints Reformulated

Toy Chains Cheer Holiday Sales

MARKETWATCH

French Hypermarket to Open in U.S.

PARIS — Auchan, a chain of 51 hypermarkets, plans to open a unit in Houston later this year to become the third French company running such a store in the United States. Auchan will own and operate the 120,000-square-foot unit. Carrefour, which pioneered the hypermarket concept, has rescheduled the opening of its first U.S. store, a 330,000-square-foot Philadelphia unit, to late this month or early in March due to construction delays. Euromarche was the first French hypermarket chain to enter the U.S. market when it opened a 250,000-square-foot Biggs in Cincinnati two years ago in a joint venture with a French bank and Super Valu, a U.S. food wholesaler.

Trump Goes After Federated Dept. Stores

CINCINNATI — Donald Trump, the New York City real estate mogul, is seeking to acquire at least $15 million worth of outstanding stock of Federated Department Stores. In response, the $10.5 billion parent of discounter Gold Circle has ceased "certain real estate ventures" with Trump. His actions contain "all the evils of greenmail," Federated told Trump shortly after Trump's intentions became known. It is not known whether Trump currently owns any of the retailer's stock. Trump spokeswoman Norma Forderer said that Trump would not comment on his business activities with Federated, which she described as being "currently on the back burner."

Bradlees Names Granoff President, CEO

BRAINTREE, Mass. — George Granoff, executive vice president of Bradlees, was named president and chief executive officer last month. Granoff succeeds Harry Kohn Jr., who resigned last summer. The executive vp spot at the 171-unit discounter has been eliminated.

Ward on the Auction Block

NEW YORK — The Mobil Oil Corp. said it may sell its Montgomery Ward subsidiary since "some sizeable companies" are interested in acquiring it. A Mobil spokeswoman declined to name the potential buyers, commenting only that Mobil feels "it is incumbent on us to determine the extent of this interest." She added that Ward's management "endorses this activity and is participating in it." The 315-unit, Chicago-based retailer said "it will cooperate with all potential investors and is also interested in becoming an investor in Montgomery Ward."

Sears Discovers Wal-Mart

NEW YORK — Having penetrated K mart with its Discover credit card, Sears, Roebuck & Co. has gotten its foot in the Wal-Mart door. Wal-Mart's new Hypermarket USA, which opened Dec. 28 in the Dallas suburb of Garland, is accepting the Discover card as a test. Last November, K mart began accepting the Discover card, joining Marshalls, Ames, Jamesway, Target, Venture and Zayre among discounters that accept the card.

FOR THE RECORD

A continuation headline regarding action being taken by the New Jersey Division of Consumer Affairs against Bradlees and Sears, Roebuck & Co., should have said the division is seeking fines against both retailers on charges of failing to keep adequate stocks of advertised goods. A court date was set Jan. 28 to hear the division's complaints against the retailers. Moreover, the story should have said that Bradlees signed a consent decree last February, agreeing to keep adequate stocks of advertised goods on hand.

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Price Club Creates New Division To Pursue Entrepreneurial Concepts

By Pamela Krein

SAN DIEGO — Price Club, the pioneering membership warehouse club chain, has created a new division to aggressively pursue new entrepreneurial concepts and oversee manufacturing and specialty operations.

Operating as a separate wing under Price Co., the new division—Price Club Ind.—oversees the company's photo processing, ground meat packaging, automotive services, optical centers and pharmacy. It will also be charged with the responsibility of searching out "new business opportunities," said company president Robert Price at the annual shareholders meeting last month.

Robert Price, son of company founder Sol Price, said one of the new ventures for the division will be a lens laboratory to service the optical centers, which are now in 11 warehouses. The company currently operates 37 warehouses in the U.S. and jointly operates two warehouses with Steinberg Inc. in Canada.

"There are a number of new business opportunities," Price Club Ind. will pursue, Price said, including some other manufacturing avenues, the nature of which the company is not willing to disclose at the present time.

However, Price did tell shareholders the company felt it was important to break out a separate and full-time division for this pursuit and not just concentrate on short-term goals.

Heading up Price Club Ind. is Jeff Graflund, as the division's president and ceo. Graflund formerly worked with the company's real estate division. Mitchell Lynn, former vp of finance for Price Co., becomes the divisional executive vice president and chief financial officer for Price Club Ind.

Also at the meeting, Price reviewed the company's first quarter, ended Dec. 20, and said the warehouse club was "reasonably happy with the sales," which rose 24 percent to $1.28 billion and created net earnings of $30.9 million.

However, Price said, "personally I would have hoped for a little more business," but admitted, "we are never satisfied."

Price said the first quarter same store sales increase of 2 percent was not as high as the company expected. There were several factors contributing to the low increase, he said, primarily the opening of new warehouses near existing sites—which pulled away some business from the older units—stiff competition and a softening of the economy.

While Price said the company faces competition from other membership warehousers—against which he said Price Club has been able to hold "our own very well"—the executive said he also sees competition stemming from similar operations such as HomeClub and the All American Sports Club. However, Price said the real competitors are "Sears, Ralphs [grocery chain] and those types of conventional merchants."

Price said the company will continue its efforts at developing the Northeastern corridor, noting that the company is currently looking at another site in New York.

Huntley Urges Change to Catalogers

CHICAGO — The catalog showroom industry will need to undergo a metamorphosis in the years ahead if it is to continue as a vital retail channel.

Robert Huntley, chairman and chief executive officer of Best Products, asserted the need for change in the catalog industry during a speech delivered to an audience of showroom operators and manufacturers during the National Association of Catalog Showroom Merchandisers banquet last month.

The proliferation of specialty chain operators will make the job of catalogers more challenging as consumers are drawn to these service-oriented, high ambience alternatives, Huntley said.

At the same time, he acknowledged that catalogers were instrumental in creating the current "hotly competitive scene" that now exists by challenging the "sheltered prices and stagnant offerings," of the '50s and '60s.

Huntley admitted he had no simple solutions to competition, but offered some advice. "Change is imperative. But there is no single formula for change or success. We are evolving in different ways, something I believe is very positive for the industry and retailing in general," Huntley said.

Examples of better business practices among catalogers included: the creation of new display techniques, improved in-stock positions, broader assortments, enhanced jewelry operations, new store designs, upgraded data processing and management information systems, greater emphasis on convenience and improved self-service techniques.

During the banquet the NACSM also presented awards to three industry veterans.

Charles Polep, president of Holyoke, Mass.-based Paysaver catalog showroom, was the recipient of the Industry Leadership award.

Irving Miller, formerly with the Welby Clock division of Elgin National Industries, was presented the Bettye J. Lewis award.

Outgoing chairman, Fred P. Gattas Jr. of Memphis-based Fred P. Gattas Co., decided to create what he called a Chairman of the Board award which he bestowed upon Doug Moss, vice president at Associated Mills.

Rein Replaces Balmuth at Venture

ST. LOUIS, Mo. — After a year, Venture has named a replacement for Marc I. Balmuth, who left the company last February to become president of Caldor.

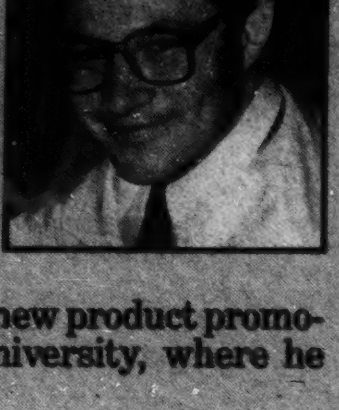
Caldor is Venture's sister discount chain in the The May Department Stores Company family.

Filling Balmuth's slot as executive vice president is Richard Rein, who will be in charge of hard lines merchandising and report to president and chief executive officer Julian M. Seeherman. Rein joined Venture from Macy's, California, where he served as senior vice president and general merchandise manager.

Filling another long-vacant merchandising position, Venture appointed Maxine Clark as executive vice president of soft lines. Clark came to Venture in 1980 as vice president, marketing, from May's corporate headquarters, where she was director of merchandise development. Most recently, she served as vice president, general merchandise manager, Lerner. Clark also reports to Seeherman.

Venture operates 71 stores in seven Midwestern states. Sales in 1986 were $1.1 billion.

DSN's Smith Promoted to Midwest District Manager



NEW YORK — John Failla, *DSN's* national sales manager, announced the promotion of Bruce Smith, 29, to the position of Midwest district manager.

Smith, who joined *DSN* two and a half years ago as a Midwest sales representative, is now responsible for managing all of *DSN's* business out of its Chicago district office.

Prior to joining *DSN*, Smith was a field advertising representative for Procter & Gamble, responsible for new product promotion. He is a graduate of Denison University, where he earned a BA degree.

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DSN INSIGHTS

TOY CHAIN CENSUS

Toys 'R' Us racked up a 30% holiday season sales gain.

Avon, Mass.-based Child World (above) reported a 21% gain in Christmas sales.

Toy specialty chains like Children's Palace, a subsidary of Child World, generally performed better than other toy retailers in the past year. (DSN photos)

Leading Toy Chains Cheer Holiday Season Sales Gains

Nationwide DSN Report

The nation's leading toy specialty chains found surprisingly strong sales gains under their Christmas trees as the absence of a superhot toy product and the prospect of a nationwide recession failed to temper consumers' toy appetites this holiday season.

Based on holiday sales gains at the leading toy chains, it appears that most consumers could not refuse to buy their children what they wanted for Christmas, despite the many gloomy economic forecasts.

Toy chains fared better than most other retailers and even better than they expected for Christmas 1987.

Interestingly, the specialty chains actually benefited from the lack of su-

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William Langus, Toy & Sports Warehouse, White Plains, N.Y.

Leading Toy Chains Cheer Sales Gains During Holiday Season

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perstar toys at Christmas because their generally wider selections drew customers who were unsure of what to buy. Also, the absence of heavy price competition on a selected few items at Christmas helped toy specialty chains avoid low margins.

Discounters and general merchandise chains generally benefit more from the popularity of one or two super-selling toys. Most of these retailers reported lackluster toy sales in December.

However, discounters and general merchandise chains do not have as much at stake as toy retailers. Toy Manufacturers of America, the New York-based toy makers association, said that holiday sales account for 60 percent of annual sales for most toy-only retailers while the Christmas season generally accounts for about 25 percent of mass merchandisers' and department stores' sales.

Here's how some of the leading public toy retailers fared:

- Toys "R" Us chalked up another year of market share gains. Montgomery Securities, a San Francisco investment firm, estimated that Toys "R" Us' share of the U.S. toy market grew to 20 percent in 1987, from 17.5 percent in 1986. In some metro areas, Toys "R" Us has a market share of as much as 50 percent, the firm reported.

The Rochelle Park, N.J., specialty retailer reported a 30.2 percent jump in sales to $1.36 billion from the $1.05 billion during the 8-week holiday selling season (Nov. 2 to Dec. 27) last year.

For the 11 months ended Dec. 27, Toys "R" Us corporate sales increased to $2.95 billion, up 27.7 percent from the $2.31 billion generated last year during that span.

Domestic toy store sales, excluding revenues from the chain's Kids "R" Us children's apparel subsidiary, rose 12.3 percent for the holiday season and 9.6 percent for the 11-month period.

Christmas sales also benefited from a build-up of inventory earlier in the year, according to the investment firm's report.

The strength of the toy giant can be illustrated by looking back three years at the minimal impact felt by the chain during another difficult toy year, Christmas 1984.

According to the report by Montgomery Securities, Toys "R" Us inventories were 51 percent above the year-earlier level at end of 1984, but gross margins declined only 0.3 percentage points in the following quarter.

This reflects the chain's ability to weather slow periods without resorting to dramatic markdowns.

Also, it has been indicated by several published reports that the chain's sheer size has helped it forge favorable trade terms with toy manufacturers who will buy back unpopular products.

The installation of a new electronic scanning cash register system chainwide also influenced sales by reducing checkout speed by more than 30 percent, the company said.

- The second largest U.S. toy retailer, Avon, Mass.-based Child World, and the fourth largest, Philadelphia-based Lionel Leisure, also fared well in December.

Child World reported a 20.7 percent jump in net sales for the eight-week Christmas season ended Dec. 26 to $363.0 million from $300.8 million last year. Comparable store sales for the eight-week period increased 8.5 percent compared to the same period last year.

Net sales for the 11-month period ended Dec. 26 increased 19.4 percent to $723.8 million, from net sales of $606.1 million during that same period last year. Comparable store sales for the 11 months increased 8 percent.

- Lionel Leisure reported a 22.4 percent increase in sales for the 8-week Christmas selling season, ended Dec. 26, to $174.1 million from $142.2 million for the comparable holiday period last year.

For the 11 months ended Dec. 26, Lionel's sales jumped 21.2 percent to $327.2 million from $270.0 million for the same period last year.

Same store sales for the Christmas selling season showed a 6.6 percent gain while the company posted a 4.5 percent gain for the 11 months ended Dec. 26.

Top Toy Specialty Chains

Chain	Sales (In Millions) 1986	Sales (In Millions) 1985	Percent Change	Sales (In Millions) 1984	Number of Stores 1988[1]	Number of Stores 1987	Number of Stores 1986	Average Store Size (In Sq. Ft.)	Total Square Footage (1987) (In Thousands)
Toys "R" Us (Rochelle Park, N.J.)	$2,270	$1,841	23%	$1,583	353	295	246	46,000	13,570
Child World (Avon, Mass.)	629	513	23	436	149	134	119	36,000	4,824
Kay-Bee (Lee, Mass.)	487	401	21	347	694	639	584	3,500	2,236.5
Lionel Leisure (Philadelphia, Pa.)	283	246	15	225	80	65	52	35,000	2,275
Greenman Bros.[2] (Farmingdale, N.Y.)	218	173	26	117	NA	341	304	3,500	1,193.5
K&K Toys (Norfolk, Va.)	50	43	16	33[3]	112	104	96	3,000	312
Toys Plus (St. Charles, Mo.)	27	18	50	13	NA	34	25	10,500	357
Karl's Toys (Los Angeles, Calif.)	25	18	39	18	30	26	24	5,500	143
Toy King/Toys & Gifts Outlet (Orlando, Fla.)	15	19	21	30	54	54	58	3,000	162
Hobby Center Toys (Holland, Ohio)	12	12	0	11	27	26	27	2,400	62.4
Toy & Sports Warehouse (White Plains, N.Y.)	11	9	22	8	7	5	5	16,500	82.5

[1] projected
[2] Includes Playland, Playworld and Circus World units.
[3] estimate
NA-not available

Source: DSN research

Toy Specialist Back on Track Again After Chapter 11 Reorganization

By Josephine Fiamingo

WHITE PLAINS, N.Y. — The five-store Toy & Sports Warehouse chain, which was one of the many toy retailers that suffered during the video game boom in 1982, is back on track and ready for expansion.

Just before the downfall which caused the chain's volume to drop $3 million from October through December 1982, the then 13-store chain was riding high with expansion plans to have 25 stores in the next three years financed through a stock issue raising $2.2 million.

However, after its toy business fell off 27 percent to $11 million from $14 million, the chain could not meet its obligations for early 1983 and had to file for Chapter 11 bankruptcy. It sold eight of its stores and a plan for repayment of debts was confirmed in 1984.

"We have come a long way since then," said William Langus, president and founder of the 36-year-old chain. TSW has been reporting sales increases over the last three years. Sales jumped 16 percent in the last fiscal year, ended Jan. 31, 1987, to $10.8 million, from $9.3 million. That figure was up 21 percent from $7.7 million the year before. "It feels good to have taken care of the last payment in January," he added.

"While we don't have any set plans, we are now in a position to look for new locations and intend to open new stores," he said. Specifically, the chain is interested in locations in southern Connecticut, northern New Jersey and Westchester County, N.Y., to stay within a 30-mile radius from its home base.

Langus plans to keep all stores in similar affluent areas. Three stores are currently located in Westchester County (Bedford Hills-Mount Kisco, Yorktown Heights, and Mamaroneck, N.Y.)

(Continued on page 40)

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